Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Peso40
Belgium	BFr80	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.25	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM8.50	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs25	Oman	OR1.20	UAE	Dh8.50

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,560

Thursday September 19 1991

D 8523A

MIDDLE EAST

US plays down troops in Saudi Arabia

Page 12

World News

Russian PM agrees to remain in Soviet post

Ivan Silayev, the Russian prime minister and head of the acting Soviet government, yesterday reversed his decision to quit his Soviet post but said he was resigning as Russian premier.

He said he had been persuaded to remain chairman of the Committee for Management of the National Economy, which acts as the Soviet government. He will also take on the extra job of chairing the group which will guide the joint economic affairs of republics which sign an economic treaty. Page 2

Impeachment call

Philippines opposition leader Juan Ponce Enrile called for President Corazon Aquino to be impeached. He said she had violated the constitution by letting US forces stay in the country without a new treaty.

Spanish pit strike

Coal pits in the northern Spanish province of Asturias were at a standstill as more than 96,000 mine workers went on strike in protest at feared job losses. Miners blocked some roads with blazing barricades.

Baker assures Assad

US secretary of state James Baker gave Syria written assurances sought by president Hafez al-Assad in return for agreement to attend Middle East peace talks. Mr Baker is due to go on to Jordan today before returning to the US. Page 4

Gates set to win

Robert Gates seems likely to be confirmed as next director of the US Central Intelligence Agency, having disarmed critics by apologising for his handling of the Iran-Contra affair and promising co-operation with congressional committees.

SA police charged

Twenty-four South African policemen have been suspended, seven of them charged with assault or murder in connection with political violence. The move follows investigations into alleged "dirty tricks."

Yeltsin ill

Russian president Boris Yeltsin spent the day resting at home because of a "minor heart problem", his secretary said. He denied that Mr Yeltsin had gone to hospital.

In Beijing, Chinese president Yang Shangkun, 84, missed official functions because of what the Foreign Ministry said was a cold.

Swiss vote for tunnels

Switzerland's parliament gave outline approval to a SFr24bn ($15.7bn) plan that would expand trans-Alpine links with two new rail tunnels.

Rain forest victim

Agronomist Gumercindo Rodrigues became the latest champion of Brazil's Amazon rain forests to be shot. He was wounded in an attack at the northwest town of Rio Branco.

Georgia purge continues

Georgian police stepped up their crackdown on opponents of president Zviad Gamsakhurdia, arresting one of the republic's best-known film-makers. Observer, Page 10

Denmark drops aid

Denmark scrapped plans to give China $230m-worth of development aid because of Beijing's poor human rights record. In China, justice minister Cai Cheng defended his country's prison system as "the most essential manifestation of humanitarianism".

Plea on Cyprus talks

Turkey urged direct talks between Turkish and Greek Cypriots. The appeal came amid disappointment in Ankara at the lack of results from UN efforts to reunite the island through a top-level conference.

Business Summary

1992 French draft budget promises deficit cut

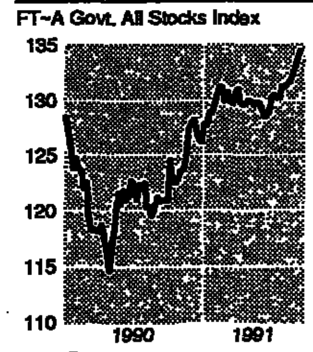
The French government yesterday adopted a draft budget for 1992 which promises a sharp slowdown in government spending in real terms and a reduction in the deficit compared with 1991.

The government said the French economy was poised to emerge from recession later this year and said it intented to tighten its anti-inflation policy further. Page 12

UK GILTS: Prices rose sharply, despite a weaker showing for the Conservative party in the latest opinion poll. But the market failed to react to the poll, focusing instead on the details of next week's gilt auction. The new paper will mature in 2004, rather than in the 2008 area which many dealers had expected. Consequently, the long-dated sector of the gilts market benefited. Long-dated gilts ended ⅜ point up on the day. Shorter-dated bonds posted smaller gains. Page 17

Gilts

FT-A Govt. All Stocks Index



Source: Datastream

BRITISH Gas faces another row and possible legal action from power station customers with the disclosure that almost all of the gas it made available for power generation on Monday has already been sold. Page 12; Lex, Page 12

BANK OF TOKYO, a leading Japanese bank, announced that Yuasa Trading, a debtor trading company which first ran into financial trouble more than a decade ago, is to be taken over by the Yuasa Shoji trading group. Page 15

W.H. SMITH, retailing group which owns the Our Price record chain, is to buy a 50 per cent equity stake in the UK retailing operations of Virgin Group, privately owned trading company. Page 13

CUBA, facing an end to Soviet aid worth $2bn a year, is willing to discuss debt-equity swaps with foreign creditors in order to help reduce its $7bn of debt to the west. Page 17

JAMES CAPEL, UK stockbroker, has paid substantial damages in an out-of-court settlement with American Barrick Resources, the Canadian gold mining group. Page 13

INDEPENDENT, Swedish finance company, succeeded in receiving a 18-month credit guarantee of SKr4bn ($655m) from a bank consortium, in the latest move to stabilise the country's troubled finance sector. Page 14

RACAL: Sir Ernest Harrison, chairman of the defence and security company, has made a £345,000 ($583,000) paper profit since Monday on Racal Electronics shares which he bought the day before Williams Holdings made a hostile £693m bid. Page 13

CHARBONNAGES de France, the state-owned coal company, filed a C$42m ($37m) claim in a Vancouver court against an international consortium of banks over an investment in an ailing coal mine in British Columbia. Page 16

ALCATEL Alsthom, French electrical engineering and telecommunications group, published a 32 per cent rise in half-year net profit, including a heavy exceptional gain, to FFr2.59bn ($430m) Page 14

Saddam faces new pressure to co-operate with UN inspections

US jets ready to back search for Iraqi arms sites

By Lionel Barber, US Editor, in Washington

THE US yesterday announced it was ready to dispatch fighter aircraft to Saudi Arabia in order to force Iraq to comply with United Nations demands that it be given access to suspected nuclear and unconventional weapons sites.

The aim is to provide protective cover for UN helicopters searching for President Saddam Hussein's weapons of mass destruction, according to US and western officials who said it did not signal the start of an offensive operation.

President George Bush, speaking in Grand Canyon, Arizona, said the US was determined that Mr Saddam comply with the United Nations mandate to inspect Iraq's nuclear facilities.

"There are no threats, that's not what this is about," he said.

General Brent Scowcroft, Mr Bush's national security adviser, said the fighters would escort the UN helicopters should Mr Saddam continue to place restrictions on them.

"It's an escort mission. If he will comply with the UN resolutions there won't need to be an execute order," he said.

The dispatch of US warplanes would escalate the long-running dispute between Iraq and the UN Security Council which has sought unsuccessfully to persuade Iraq to grant unconditional access to more than 40 sites suspected of harbouring chemical, biological and nuclear weapons.

However, a senior Pentagon official stressed that "there are no US military units on the way to the Gulf at this time," and the hope in Washington yesterday was that unanimous pressure from the UN would avert a confrontation with Iraq.

UN diplomats became more optimistic yesterday that Baghdad would reach agreement on the operation of the helicopter units. Mr Abdul Amir al-Anbari, Iraq's UN envoy, described the inspection dispute as "a tempest in an empty cup of tea".

Iraq had said this week it would permit UN helicopter flights but imposed conditions which were unacceptable to the US, Britain and France, all permanent members of the Security Council.

Mr Bush spoke to King Fahd of Saudi Arabia this week to warn him of the possibility of a fresh dispatch of US aircraft

Although the US has taken the lead on enforcing compliance, it has also won support for its plan to send armed escorts to accompany the UN inspection teams from France and Britain.

Over the past few weeks, Iraq has tried to hide or transfer nuclear-related equipment in a cat-and-mouse game with the UN inspectors, according to a US official.

US and other western officials said they hoped the prospective show of force would persuade Mr Saddam to "cave in" to UN demands. The Security Council would settle for nothing less than "full, unfettered, unconditional" access for the UN inspection teams who are trying to identify and destroy all of Iraq's unconventional weapons.

This warning was reinforced by Mr Javier Pérez de Cuéllar, UN secretary-general, who said that Gulf war resolutions allow the use of military escorts for UN inspectors in Iraq.

Pentagon officials said an alert order was issued to US aircraft units in the US and Europe, including F-117A Stealth fighters, F-15E jet fighters, and aerial refuelling tankers. These would complement the 26 US ships in the Gulf and surrounding area, which include the USS Forrestal and USS Abraham Lincoln aircraft carriers.

Cat-and-mouse game, Page 12

Tough talking: Bush is determined that Iraq permits a thorough inspection of its suspected nuclear sites

UK unhappy with EC political union

By David Buchan in The Hague

MR JOHN MAJOR, the UK prime minister, yesterday warned of "formidable problems" in European Community negotiations on political union, but said he was "increasingly confident" of reaching agreement on monetary union this year.

Mr Major said that giving the European parliament greater lawmaking power was only one of "very many areas of difficulty" for Britain in the political union negotiations. These have run parallel to talks on economic and monetary union (Emu).

His comments came after talks in The Hague with Mr Ruud Lubbers, the Dutch prime minister who currently chairs the EC Council of Ministers.

Other UK government concerns centre on the Dutch presidency's proposals to bring the co-ordination of sensitive foreign, crime and immigration policy fully within Community decision-making machinery.

Mr Lubbers responded to Mr Major's worries by saying that he did not intend to try to gain – at the Maastricht summit in December – agreement on "a full 100 per cent political union". It would merely be "a further step" towards eventual political union, the Dutch leader said.

"The speeds with which we can move forward together are different. We have to be a little more cautious on foreign and defence policy than on monetary union," he acknowledged.

By contrast, Mr Major said that "progress is self-evidently being made" on Emu. "I am increasingly confident that we will be able to reach agreement on Emu when we reach the conference in Maastricht," he said.

During his morning of talks with Mr Lubbers, the UK prime minister urged the Dutch presidency to stick to its proposals requiring strict economic convergence between EC states before they pool their currencies.

In Bonn, Mr Hans Tietmeyer, deputy president of the German Bundesbank, broadly backed plans on Emu put forward by the Dutch presidency of the EC. However, he appeared to harden the Bundesbank attitude towards any watering down of the preconditions for economic union.

Mr Tietmeyer, in evidence to the finance committee of the German Bundestag – the lower house of parliament – called for much greater progress towards economic convergence of the member states. He also asked for specific regulations, backed by sanctions, to control deficit spending by EC governments.

Mr Tietmeyer repeatedly insisted on the absolute political independence of the future European central bank – even "guidelines" issued by government ministers.

On political union, preliminary Dutch proposals have come as a nasty shock to the UK government. Britain had taken as virtually settled the plan by the previous Luxembourg presidency to put co-ordination of foreign, security and internal policies outside standard EC decision-making mechanisms.

The Dutch plan has yet to be approved by the Lubbers cabinet, let alone formally presented to EC partners.

EC hope of peace fades as Yugoslav ceasefire collapses

By Laura Silber in Belgrade and David Buchan in The Hague

THE prospects for a European-sponsored peace in Yugoslavia receded last night after the fragile ceasefire engineered by Lord Carrington was shattered by fierce fighting around besieged army bases in Croatia.

Battles continued between Croat forces and federal army units in the main port cities and in east and southern Croatia after the ceasefire came into effect – with both sides blaming each other for taking the offensive.

During the afternoon Yugoslav warships bombarded Split, the second biggest Croatian port, and the mayor of Zadar appealed to Italy for help as federal forces advanced on the city, one of seven Adriatic ports under naval blockade.

Mr Luka Bebic, the Croatian minister of defence, generally considered to have been a moderate, was reported last night to have resigned. Earlier this week Mr Bebic had criticised European Community efforts to resolve the crisis.

Lord Carrington, who brokered the ceasefire on behalf of the EC on Tuesday, warned yesterday that the collapse of the ceasefire would send Yugoslavia sliding fast into civil war. "There is such animosity and such a build-up of bitterness that it is very difficult to see what we can do other than to encourage them to believe, as I genuinely do believe, that this is the last chance", he said.

The renewed fighting provoked intense nervousness in neighbouring Hungary and Italy and was closely watched by leaders of the EC and the West European Union (WEU), the nine-nation European defence body who meet in the Hague tonight to consider a Dutch proposal to send an intervention force to separate the warring parties.

Meanwhile the French foreign minister, Roland Dumas, will propose sending a United Nations peacekeeping force into Yugoslavia at the opening of the UN General Assembly next week if EC ministers do not agree today to send a force, a presidential spokesman said yesterday.

Continued on Page 12
Zagreb's war of nerves, Page 2
Book review, Page 10

Tokyo securities brokers' losses worse than forecast

By Stefan Wagstyl in Tokyo

JAPAN'S four leading securities companies yesterday warned that results for the half-year to the end of September would be far below previous forecasts because of a slowdown in business on Tokyo's scandal-affected stock market.

Yamaichi Securities, smallest of the Big Four, said it expected a Y12bn ($88.88m) pre-tax loss, the first time any of the large brokerages has made a loss since the prolonged bear market of the mid-1960s. At that time, Yamaichi suffered the most of the Big Four and had to be rescued from bankruptcy by the authorities.

The other three large houses – Nomura Securities, Daiwa Securities, and Nikko Securities – all predicted sharp falls in interim profit. Nomura forecast a 67 per cent drop in pre-tax profits from the same period last year to Y37bn, Daiwa a 77 per cent drop to Y16bn and Nikko a 70 per cent fall to Y10bn.

The figures, which are for the parent companies, represent a sharp downward revision of forecasts made as recently as June.

The results for Japan's 250-odd small and medium-sized brokerages are expected to be much worse, with most likely to report losses.

The biggest impact on the securities companies has been from the fall in stock exchange turnover as investors forsook stock investment after a rise in interest rates and a series of scandals. Private individuals, a lucrative market in the past, have been shaken by evidence of brokers compensating large clients and of two houses, Nomura and Nikko, having dealings with a criminal organisation.

The market's weakness has also forced companies hoping to issue securities to cancel their plans, greatly reducing underwriting income. Profits have also been hit by evaluation losses suffered on brokerages' own stock holdings.

Yamaichi seems to have suffered especially severe revaluation losses. An official said: "We were very aggressive in the first quarter of the year, from January to March. We were caught by surprise when the market fell by 17 per cent from the end of March."

The financial stability of the Big Four is not in immediate danger. All four accumulated substantial reserves in the late 1980s when Nomura temporarily became the biggest profit earner in Japan.

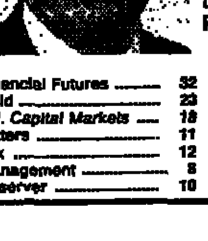
Nevertheless, with no sign of solid recovery in prices or in turnover, prospects for the second half of the year were not good, the brokers warned.

The scandals have increased pressure for reform of the stock market. Tough new rules will raise costs by requiring brokers to spend more on supervision.

The affairs have prompted demands for more cuts in stock exchange commission income. Some critics see Japan's system of fixed-rate commission as one reason why brokers paid compensation to big clients. Unable to compete on commission rates, brokers offered other incentives.

CONTENTS

Russian premier resigns to concentrate on Soviet affairs



Ivan Silayev has resigned his post as prime minister of the Russian republic to take on greater Soviet responsibil ity. The move reflects the power struggles at the top

Page 2

MARKETS

STERLING
New York lunchtime:
$1.7297
London:
$1.7315 (1.7425)
DM2.9125 (2.91)
FFr9.9175 (9.91)
SFr2.5425 (2.5425)
Y232.25 (233.25)
£ Index 90.9 (91.0)

GOLD
New York: Comex Dec
$352.3 (350.4)
London:
$347.8 (348.55)

N SEA OIL (Argus)
Brent NOV
$20.425 (+0.20)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.6835
FFr5.7365
SFr1.4695
Y134.3
London:
DM1.6815 (1.6705)
FFr5.7275 (5.6875)
SFr1.4685 (1.4585)
Y134.2 (133.8)
$ Index 65.0 (64.7)
Tokyo close: Y133.95

US lunchtime rates
Fed Funds: 6%
3-mo Treasury Bills:
5.326%
Long Bond:
$102\frac{13}{32}$
yield: 7.907%

STOCK INDICES
FT-SE 100:
2,583.6 (-10.8)
FT Ordinary:
2,007.1 (-30.8)
FT-A All-Share:
1,252.69 (-0.3%)
New York lunchtime:
DJ Ind. Av.
3,009.84 (-3.35)
S&P Comp
385.75 (+0.25)
Tokyo: Nikkei
23,317.78 (-125.83)

LONDON MONEY
3-month Interbank:
$10\frac{7}{32}$% ($10\frac{1}{4}$)
Liffe long gilt future:
$98\frac{3}{4}$ ($98\frac{1}{4}$)

EUROPEAN NEWS

Russian PM quits but stays head of Union's acting government

By John Lloyd in Moscow

MR Ivan Silayev, the Russian prime minister and head of the acting Soviet government, yesterday reversed his decision to quit his Soviet post but said he was resigning as Russian premier.

He said yesterday he had been prevailed upon to stay as chairman of the Committee for Management of the National Economy, which acts as the Soviet government, and to take on the additional post of chairman of the Inter-Republican Economic Committee, the body which will guide the joint economic affairs of those republics which sign an economic treaty.

He is charged with working out a plan for the structure and functions of the Inter-Republican Committee within a month. The new committee is expected to substitute for the more than 60 Soviet ministries now living on borrowed time under their deputy ministers, following the resignation of the pre-coup cabinet.

Following a meeting with Mr Nicholas Brady, the US treasury secretary, and Mr Alan Greenspan, chairman of the US Federal Reserve Bank, Mr Silayev announced that the US would speed up the provision of $375m (£221.8m) in grain credits. The Russian prime minister had earlier said that he would press strongly for up to $7bn of aid from the west.

The confused moves at the top appear to reflect a series of intensifying power struggles within the ruling Soviet and Russian groups. Aides to Mr Boris Yeltsin had let it be known in recent weeks that Mr Silayev was not highly regarded by the Russian president, while his threat to resign as head of the acting Soviet government came after an attack upon him by Mr Yuri Luzhkov, the Moscow chief executive and a fellow member of the acting government.

Mr Boris Yeltsin, the Russian president, was taken ill yesterday, but there were differing versions as to the seriousness of his condition.

A report from the news agency Interfax said he was taken to hospital with a "coronary deficiency". Mr Yeltsin, 60, has a history of heart complaints. However, later reports quoted aides as saying he was resting at home and would make a scheduled speech today.

Mr Silayev said yesterday that all members of the State Council, which unites the republic and Soviet presidents, had asked him to stay in his union post at its meeting on Monday – including, he said pointedly, Mr Yeltsin.

It had been earlier thought that Mr Silayev would relinquish the post of chairman in favour of Mr Arkady Volsky, deputy chairman and president of the Scientific-Industrial League, the employers' organisation. His confirmation in the post, and the decision to appoint him as chairman of the Inter-Republican Committee, shows that those favouring a cautious approach to reform are winning the day.

However, the future of the inter-republican agreement, and thus of the Inter-Republican Economic Committee, is itself uncertain. The draft agreement, drawn up by Mr Grigory Yavlinsky, a member of the committee and a radical economist, was accepted by the republics only "in general" – a formula, as the daily Izvestia noted on Tuesday, which has in the past meant that nothing will come of it.

Mr Yavlinsky said after the decision: "I'm sick and tired of waiting, and I hate the idea of fooling the people once more. I'm afraid they (the State Council) will adopt my proposal, have something else in mind and then get down to implementing something quite different. They must adopt the entire package, so that it can work as a single system – otherwise it will all go down the drain."

● **The International Monetary Fund has chosen a French banker, Mr Jean Foglizzo, to head the office it plans to open in Moscow when arrangements for Soviet associate membership of the Fund are completed, writes Leyla Boulton in Moscow**

Mr Foglizzo, who has worked for the Fund in the past, was employed by Banque Paribas in New York in the late 1980s.

See Observer, page 18

Mitterrand and Kohl agree on Moscow aid

By Quentin Peel in Bonn and Peter Bruce in Madrid

FRANCE and Germany agreed yesterday on the need for emergency humanitarian assistance for the Soviet Union this winter, and will jointly press for immediate action from the European Community and the Group of Seven industrialised nations.

Chancellor Helmut Kohl of Germany said after talks with French President François Mitterrand that they had agreed on the need for aid this winter, "what we must do, and how we will co-ordinate help".

Mr Mitterrand said there was "no difficulty any more" on aid for the "sovereign republics which compose today the former USSR". His stress on the disintegrated nature of the Soviet state may not, however, have been to Mr Kohl's liking as the German leader has argued strongly for maintenance of a significant centralised structure.

On European Community co-operation, Mr Mitterrand said it was necessary to work swiftly for agreement on European monetary and political union before the EC summit in Maastricht at the end of the year.

Mr Kohl also stressed the urgency of negotiations, but neither leader gave details of agreements or disagreements. They will have further talks in mid-November in an attempt to co-ordinated a common Franco-German position in advance of the summit.

Mr Felipe González, the Spanish premier, travels to Bonn today for a hastily arranged meeting with Mr Kohl. Madrid is alarmed by differences between Germany and France, notably over Yugoslavia, and fears these may weaken Bonn's commitment to quick political union in the EC.

The recent French decision to block agricultural imports into the EC from some east European countries is regarded as a serious political mistake in Madrid as it annoyed Germany. France's decision to deploy short-range Hades missiles next year has also worried the Spaniards, who feel they will inevitably be pointed east.

Brussels seeks Soviet aid approval

THE European Commission yesterday asked for limits on 1992 spending to be increased by more than $550m (£325.4m) to permit increased aid to the Soviet Union, Reuter reports from Brussels.

The Commission said it had also asked for a new reserve of $360m to be set aside in the EC 1992 budget to meet humanitarian aid emergencies around the world.

The request for higher spending ceilings – sent to the 12 EC member states and the European Parliament even before they had formally approved the 1992 budget for $78bn – shows how the growing international commitments of the Community are straining resources, EC officials said.

The commission warned that even the higher ceilings would not take into account a plea from the Soviet Union for up to $7bn of food aid this winter, which the EC is now considering.

The commission asked for the ceiling on spending in 1992 for the category which includes aid to the Soviet Union, to be lifted by Ecu420m (£293m) to take account of technical assistance already pledged to the Soviet Union.

Serbian fighters take a break in the eastern Croatian town of Borovo Selo yesterday

Zagreb's war of nerves goes on as gunfire marks another ceasefire

By John Fullerton of Reuter

MARTIAL music and syrupy patriotic songs gush from the radios, punctuated by gunfire.

Red-eyed from lack of sleep, residents of the Croatian capital return once more to bomb shelters as the air-raid sirens sound just 15 minutes before an EC-brokered ceasefire was to take effect yesterday.

Waiters, office workers, housewives with shopping bags and students huddle in their basements and underground garages, crowding around radios for news.

Six young women from a Soviet dance troop – who perform topless in a hotel nightspot – quietly get on with their knitting in one shelter.

"We're not all that frightened," says Olga, 23, from Kiev.

After a night of sporadic shooting in and around the city, rumours are rife. The Serbian-dominated Yugoslav army is about to attack Zagreb with scores of helicopter gunships. Cluster bombs were dropped at night by warplanes, the stories say.

The frequent news bulletins are read on the radio quickly, like weather reports. They are almost impossible to verify.

"This is the last chance for Croatia and Yugoslavia to avoid total war," the radio reports Croatian leaders as saying in a statement. As it is read out, a single burst of automatic gunfire echoes across the city.

Journalists touring the deserted streets find little visible damage from overnight exchanges of gunfire in and around two army camps besieged by Croatian fighters.

One school's upper floors have been hit by what appear to have been stray rounds from a heavy machine-gun.

The worst damage is at the army headquarters in the city. The walls are spattered with bullet holes, and many windows have been shattered by gunfire. Inside, the deputy commander of the Fifth Army District – incorporating Zagreb and western Croatia – serves coffee to his visitors.

Dressed in crisply-ironed fatigues, the grey haired General Andrija Raseta gives the army's version of the night battle. "It was a co-ordinated attack against our bases by Croatian national guards and police," he says. "The aim was to put our backs to the wall."

He knows of only one military casualty – a sergeant, Josip Segovic, who Gen Raseta said had died from loss of blood when Croats allegedly fired on the ambulance brought in to take him to hospital. "We only return fire," Gen Raseta says.

That is precisely how Croatian officials describe their own actions in the skirmishes.

Another casualty was a Danish member of the EC mission in Zagreb. Gen Raseta says he was shot in the leg on the steps of the headquarters, and had to crawl to safety in the building. Croats blame the general's soldiers for the violence.

Just before noon, Gen Raseta – who has been trapped in his headquarters for two days – said he had been assured by the Croatian authorities that all shooting would cease. "But I know of two places – Gospic and Varazdin – where our troops are still under attack," he says. Like everything else here, this is difficult to confirm.

But by 1pm, shooting is continuous and this time it is coming from central Zagreb. Bullets whizz across a downtown square, just outside the railway station and main post office. Tyres screaming, motorists try to speed to safety.

Pedestrians, emerging from their shelters after the all-clear sounds, throw themselves flat on the pavements.

The war of nerves goes on.

Bundesbank deputy calls for tough line on Emu

By Quentin Peel in Bonn

MR Hans Tietmeyer, deputy president of the German Bundesbank, yesterday spelt out the uncompromising pre-conditions of his institution for the establishment of European economic and monetary union (Emu), in a clear bid to stiffen the resistance of his government to any compromise with the rest of the European Community.

He called for much greater progress towards economic convergence of the member states, specific regulations, backed by sanctions, to control deficit spending by EC governments, and repeatedly insisted on the absolute political independence of the future European central bank from even "guidelines" issued by government ministers.

Mr Tietmeyer's statement, in formal evidence submitted to the finance committee of the German Bundestag, amounts to a hardening of the Bundesbank attitude towards any watering down of the pre-conditions for Emu, currently at a critical stage of negotiations in advance of the December EC summit in Maastricht.

He expressed serious reservations about proposals for the second phase of Emu, in which final preparations are supposed to be made for full economic and monetary union – although he broadly backed the plans put forward by the Dutch presidency of the EC.

Both Mr Tietmeyer and Mr Jacques de Larosière, president of the Banque de France, who also gave evidence yesterday, agreed that phase two must be kept as short as possible, and be seen as no more than a transitional phase.

Mr Tietmeyer argued forcefully against the establishment of any substantial institution during that period, saying it would simply create a "grey area" restricting national competence in currency policy, while failing to create a fully-fledged supra-national alternative. The latter must wait for a fully independent European central bank in phase three, he said.

He also rejected proposals to strengthen the Ecu, the European currency unit, in the intervening period, saying that any such basket-based currency would inevitably be weaker than the strongest Community currency, and an unacceptable replacement.

He rejected arguments by other EC member states for alignment on the economic performance of the average Community country, rather than its best performer, saying that any target other than the lowest possible inflation rate was unacceptable to the Bundesbank.

His strongest words were reserved for any hint of serious deficit financing by future member states of Emu, insisting that rigorous budgetary discipline should be a precondition of membership, and should be maintained by rules and sanctions.

He proposed writing into the treaty the "golden rule" of budget finance, that no deficit should exceed investment spending, and in addition, to lay down quantified ceilings for state debt, and annual budget deficit restrictions in relation to each country's gross national product.

All those pre-conditions are likely to hit hard at the southern member states of the Community, including Italy, where deficit spending has been the rule.

Mr Tietmeyer also called for the completion of the internal market, including significant progress in harmonising indirect taxation, before economic union could be contemplated – a demand likely to alienate the UK.

Only three states meet Dutch terms

By Peter Norman, Economics Correspondent

ONLY France, Denmark and Luxembourg would qualify for membership of an economic and monetary union under the convergence requirements of the latest Dutch draft for Emu, American Express Bank says.

According to the latest Amex Bank Review the Dutch Emu draft requires countries to have a recent record of inflation under 5 per cent, a budget deficit under 4 per cent of gross domestic product and a debt to GDP ratio of less than 60 per cent. Two non-EC nations – Norway and Austria – would qualify.

But Germany, the "anchor" of the exchange rate mechanism, as well as the Netherlands, Belgium and Ireland, would not qualify despite having moved closer to fixing their exchange rates.

The Amex review says Germany, the Netherlands, Belgium, and Italy have too high budget deficits. Belgium and Italy also have high debt levels, as does Ireland. In Britain, Spain and Portugal inflation is too high for Emu entry.

Among EC members, Greece would face the greatest difficulty joining Emu as it is likely to see inflation of 18 per cent and a budget deficit of 16 per cent of GDP this year.

OFF YOUR BIKE: Swedish conservative leader Carl Bildt, in the process of forming a new government, will have to stop cycling to work if he wants security protection, police say.

Trade balance of west Germany goes into deficit

THE TRADE balance of former West Germany dipped into deficit in July as imports rose 25 per cent and exports increased by 6.2 per cent from last year, Reuter reports from Wiesbaden.

The federal statistics office said July imports rose to DM57.40bn (£19.5bn) from DM45.84bn in July, 1990, while exports rose to DM57.38bn from DM54.03bn to create a trade deficit of DM26m.

The office said that compared with June, July imports rose 9.6 per cent while exports rose 9.2 per cent. In June, the trade balance showed a surplus of DM186m after a DM1.7bn deficit in April and a DM1.1bn deficit in May.

Earlier this month the office announced that the trade balance for the whole of Germany in July showed a surplus of DM200m, down from a surplus of DM400m in June.

In the first seven months of 1991 imports into western Germany rose 21 per cent to DM374.7bn marks, while exports fell 1.3 per cent to DM377bn from the same period a year ago.

The west German trade balance from January to the end of July showed a surplus of DM2.3bn, well below the DM73bn surplus seen last year.

In former east Germany exports in July again surpassed imports for a trade surplus of DM239m. In June the trade surplus in eastern Germany was DM204m and in July 1990 the surplus was DM1.8bn.

The statistics office said July imports rose to DM1.29bn from DM757m in July 1990, while exports fell to DM1.53bn from DM2.52bn.

Compared with June, July imports rose 49 per cent while exports rose 43 per cent, the office said. In the first seven months of 1991 eastern German imported goods worth DM7.1bn, down from DM17.6bn last year, while exports fell to DM10bn from DM21.3bn.

The trade surplus in eastern Germany in the January to end-July period fell to DM2.9bn from DM3.8bn in the same period last year.

The office cautioned that some uncertainty was attached to its figures as imports into western Germany could end up in eastern Germany via inner-German trade and vice versa.

Pressure in Germany on market regulation

By Katharine Campbell in Frankfurt

FRESH urgency has been injected into talks on creating a centralised stock market supervisory authority in Germany following the damage to Frankfurt's international standing caused by this summer's security scandal, according to Mr Rüdiger von Rosen, a board member of the Frankfurt Stock Exchange.

Mr von Rosen forecast in an interview yesterday that government proposals would emerge in the next few weeks.

"There is a growing readiness on the part of the trading community to move towards acceptance of international standards," he said.

A stock exchange commission on insider trading ended last week its inquiry into Deutsche Bank, without uncovering any irregularities. But malpractices in various departments of banks' securities operations are coming to light.

Five staff at Dresdner Bank have resigned after allegations of improprieties in new-issues procedures, while Frankfurt city prosecutors are examining cases of alleged fraud in the options warrants market.

Economics ministers of the Länder (states) are due to meet on October 7 to discuss new forms of stock market regulation. Ministries have until now retained broad jurisdiction over their local bourses and are expected to fight their corners fiercely, even though the current system of self-regulation by banks and brokers has been shown to be inadequate.

They are unwilling to cede power to Hesse, where the Frankfurt Stock Exchange, Germany's leading exchange, is located and they may thus be forced to accept a neutral body set up in the city with broad oversight over the whole market place.

Mr von Rosen said: "Germany needs a single entity that can police the forthcoming insider trading law as well as complying with the contents of the investors services and takeover directives currently under discussion."

The deadline for German deputies to replace the current voluntary code on insider dealings and implement EC guidelines is falls in mid-1992.

While the Bundesbank is taking an active interest in speedy reforms, there have been no signs the central bank wishes to assume any such regulatory responsibilities itself. This suggests the formation of a new agency is the most likely alternative.

Ankara threatens to boycott Cyprus talks

By John Murray Brown in Ankara

CHANCES of an early solution of the Cyprus issue receded further yesterday after Turkey indicated it would not attend the proposed peace conference unless Greece made clear its conditions to settle the 17-year division of the island.

President George Bush has signalled US backing for a quadripartite meeting on Cyprus, involving Greece, Turkey and representatives of Greek and Turkish Cypriots.

However, Turkish officials now say a meeting would be "futile" if the sides cannot agree a joint text in advance.

Turkey says it has given the United Nations a written statement outlining demands for political equality of the two communities and maintenance of Ankara's security guarantee. "They know our position but we don't know theirs," said Mr Ferhat Ataman, a Foreign Ministry spokesman.

EC eases rules on Treuhand

THE EC yesterday loosened its state aid rules for the Treuhand, to enable it to speed up the privatisation of the companies in eastern Germany, writes David Gardner in Brussels.

The sale of companies to the highest or only bidder will be approved if there is an open tender.

Brussels backs tighter laws on redundancy

THE European Commission yesterday approved plans to close loopholes in laws on mass redundancies, Reuter reports from Brussels.

The aim was to ensure employees affected by redundancies when companies undertook cross-border restructuring were given at least an early warning, said a Commission spokesman.

"Employers will have to supply relevant information and will not be able to hide behind the excuse that headquarters in another country didn't pass it on," he said.

Company attitudes to information and consultation are among the most controversial aspects of social legislation in the run-up to completing the single EC market. Some countries object to EC-wide legislation on the issue.

The Commission decided that the law needed to be revamped before the Community completes its single market after 1992.

Restructuring involving labour cuts where decisions affecting employees in one country were made in another were becoming increasingly common, it said.

EC ministers still have to approve the plan.

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Baker assures Assad over peace talks

By Our Middle East Staff

MR James Baker, US secretary of state, yesterday provided Syria with the written assurances that President Hafez al-Assad has wanted in return for agreement to attend a Middle East peace conference.

During talks in Damascus with Mr Assad, Mr Baker is understood to have provided written confirmation that the basis of peace negotiations will be UN resolutions 242 and 338 and that the future status of east Jerusalem will be a topic for discussion.

Syria and other Arab countries had sought US reassurance that the principle of exchanging land for peace, as set out in the two UN resolutions, would be kept to despite statements from senior Israelis that not an inch of occupied Arab land would be ceded.

A US official said Mr Baker had brought a draft letter and wanted to hear Mr Assad's comments. But he added: "We are not engaging in negotiations on every single line in every one of these assurance documents."

Mr Baker's talks with Mr Assad, which opened soon after he arrived from Cairo, were held against the background of obvious Syrian pleasure at the US-Israeli dispute over loan guarantees and Jewish settlements in occupied Arab territories.

Mr Farouq al-Shara, the Syrian foreign minister, told local newspapers yesterday that US differences with Israel showed that Mr Baker and President George Bush were serious about ending the conflict.

Mr Baker is due to go on to Jordan today before returning to the US, although there remains a possibility that he could make a second visit to Israel while in the region.

Reports from Cairo yesterday suggested that Mr Baker had also succeeded in narrowing the differences over who should represent the Palestinians at a peace conference. Israel has insisted that no one linked to the Palestine Liberation Organisation or from east Jerusalem would be acceptable.

However, Cairo-based diplomats said Israel had agreed in principle to having Palestinian delegates from the two villages of Aizariya and Abu Dis, considered by Arabs to lie within Jerusalem, in a joint Jordanian-Palestinian delegation at the proposed talks. The two villages are outside the administrative boundaries Israel set for a united Jerusalem after it had annexed the eastern part of the city after the 1967 war.

Hopes rise for release of hostage Jackie Mann

By Our Middle East Staff

THE official Iranian news agency Irna predicted yesterday that one of the 10 remaining western hostages held by pro-Iranian kidnappers in Lebanon would be freed within hours.

In a report from Beirut, Irna said it appeared Mr Jackie Mann, the 77-year-old retired British pilot seized in west Beirut in May 1989, was likely to be freed. Irna's two-sentence report quoted "informed sources" in Beirut.

For more than a month Mr Javier Pérez de Cuéllar, UN secretary general, has been at the centre of a complex round of negotiations designed to free all the hostages in the Middle East. Those involved include Lebanese Shia Moslems and Palestinians, and the governments of Iran, Syria and Israel.

Mr Mann's 73-year-old wife Sunnie said yesterday that she was "cautiously optimistic that something may happen now within the next few days", although she had no firm news about her husband.

The couple have their home in Beirut, but western hostages are generally driven to Damascus to be handed over to their governments by Syria, which now holds sway in Lebanon. Britain has meanwhile flown a team of officials and medical staff to Cyprus to be ready to look after Mr Mann. His health is poor.

The Revolutionary Justice Organisation, one of the Lebanese kidnap groups linked to the Iranian-backed Hizbollah (the Party of God), released a photograph of Mr Mann earlier this month, shortly after Israel freed 51 Lebanese Shia Moslems and handed over the body of nine Lebanese guerrillas.

Israel took that step after receiving information about two of its seven servicemen missing in Lebanon, and Israeli officials say a further 300 or so Lebanese will be freed if all the Israeli soldiers are accounted for.

It is thought that the UN has arranged a timetable of releases by the various parties involved. Hizbollah leaders are insisting that Sheikh Abdul-Karim Obeid, kidnapped by Israeli commandos in July 1989, will have to be freed soon if the process is to continue.

In Damascus, Mr Farouq al-Sharaa, the Syrian foreign minister, said he was optimistic there might be a hostage release soon.

Jackie Mann's captors released this picture of him

Tobacco group accused over sport

By Kevin Brown in Sydney

WD and HO Wills, the Australian tobacco company 67 per cent owned by BAT Industries of the UK, was yesterday accused of bribing sports administrators and media personalities to secure their help in promoting tobacco products.

The allegation was made by Mr David Hill, managing director of the government-owned Australian Broadcasting Corporation (ABC), during evidence to a parliamentary select committee in Wellington, New Zealand.

Mr Hill, a prominent anti-smoking campaigner, said the company had targeted sports commentators, camera crews, ground staff, promoters and organisers.

"Marketing staff would get in beside these people and make side deals, offers of travel, accommodation, costs, arranging for wives and families to travel, overseas trips, holidays, gifts and booze, cash etc in return for assistance in promotion.

"People who were helpful were well looked after on a continuing basis with dinners, parties, social functions, tickets to events, travel with teams etc," he said.

Mr Hill said he had learnt of the "widespread practice of bribery" from a staff member of the ABC who had formerly worked as a senior official of WD and HO Wills in New Zealand.

The official made the revelations during an internal review of ABC guidelines for broadcasting of tobacco-sponsored sports events in Australia, and later drew up a signed statement describing the system, Mr Hill said. He refused to name the official but offered to provide a copy of the report.

WD and HO Wills said there was "no truth whatsoever" in the allegations, and claimed Mr Hill's reluctance to name the official meant he was not confident they were true. In April 1989 BAT took direct control of Wills, the remainder of the shares in which are quoted on the Australian stock exchange. Previously Wills was a subsidiary of Amatil, the Australian soft drinks group which was itself a 41 per cent affiliate of BAT. It was not clear to what period the allegations related.

The committee is considering whether sports sponsorship should be exempt under New Zealand's Smoke Free Environment Act, which bans most tobacco-related advertising and sponsorship.

Impeachment threat for Aquino

PHILIPPINE President Corazon Aquino faced the threat of impeachment yesterday and a revolt within her cabinet over her battle to keep US forces in the country in defiance of a Senate decision to evict them, Reuter reports from Manila.

Senator Juan Ponce Enrile, the opposition leader, called for the president's impeachment, saying she had violated the constitution by allowing US forces to stay without a new treaty.

"There's no question about it, she is liable to impeachment. There is clear ground for impeachment," Senator Enrile said.

Mrs Aquino faced a possible revolt by up to four ministers within her 22-member cabinet over her decision to hold a national referendum in an effort to overturn Monday's Senate vote rejecting a new military base pact with Washington.

"The four cabinet members voiced their objections that bringing the treaty to a referendum was unconstitutional," a senior official said.

Congressman Raul Roco, assistant majority leader in the lower house, said 69 of the 205 lawmakers must approve the impeachment charges. But the measure stood no chance of approval since pro-Aquino congressmen control three-quarters of the seats in the chamber.

Under the constitution, impeachment charges are prepared by the lower house while the impeachment trial is conducted by the Senate.

President Aquino's chief-of-staff, Mr Franklin Drilon, said Manila expected Washington to maintain the level of compensation paid for Clark air base and Subic naval station under the old bases accord, which reached $481m (£284.6m) a year.

But Mr Stanley Schrager, the US embassy spokesman, said Washington would only fulfil aid commitments in 1992 of $363m. He indicated the amount might decline sharply in 1993.

A Filipino puts a notice to quit on a statue of US Gen Douglas MacArthur after the Senate vote

Hawke goes back on his decision to visit S Africa

By Kevin Brown

MR BOB HAWKE, the Australian prime minister, yesterday cancelled a proposed visit to South Africa, saying it would be inappropriate in view of concerns over the pace of reform.

Mr Hawke had intended to visit South Africa immediately before the Commonwealth heads of government meeting on October 16 in Harare, capital of neighbouring Zimbabwe.

He would have been the first prominent western leader to visit South Africa since the process of reform was initiated by President F.W. de Klerk.

However, Mr Hawke said he had decided not to go because he was not satisfied that South Africa was moving quickly enough towards constitutional change and the establishment of non-racial government.

"While great things have been done by the government of South Africa, and it would be churlish not to acknowledge it, the process has not been as rapid and as determined as I think we all would have liked," he said. "In those circumstances I did not think it was appropriate to go."

Mr Hawke is expected to argue for an end to sanctions affecting individuals at the Commonwealth meeting in Harare on October 16, but he is unlikely to support a relaxation of economic sanctions.

Australia was a strong supporter of the implementation of Commonwealth sanctions against South Africa. It has also been in the forefront of moves to relax sanctions since the reform process began.

Mr Hawke is expected to argue at the Commonwealth meeting for an end to sanctions affecting individuals – such as visa restrictions and scientific and cultural exchanges.

However, his decision not to visit South Africa signals that Australia is unlikely to support a relaxation of economic sanctions.

Mr Hawke said Mr Pik Botha, South Africa's foreign minister, would visit Canberra soon, probably in early October.

Mr Botha's visit will be the first visit to Australia by a South African minister for more than 20 years. It follows a trip to South Africa in June by Senator Gareth Evans, the first Australian minister to go there since 1948.

Mr Hawke's decision to cancel his South African trip was welcomed by Mr Eddie Funde, the African National Council representative in Australia. However, Mr Funde said the Australian government should not accept a visit from Mr Botha.

"Our position is that Australia should not invite him here because he is representing a white man's government, not an interim government for all South Africans," Mr Funde said.

Mr David Tothill, the South African ambassador to Canberra, said he regarded Mr Hawke's decision not to go to South Africa as a postponement rather than a cancellation.

Civil war and hunger spiral as Mozambican talks hit impasse

Jeremy Harding reports on slender strands of hope that the country could end its reliance on food aid

BRIGADIER Jeronimo Malagueta has been in Maputo for the past nine months, quartered at the Italian compound, overlooking the sea. He and his colleagues in the Mozambique National Resistance (MNR) are now the acceptable face of a guerrilla force which has won little more than notoriety in its long war against the Frelimo government of Mozambique.

While most of the brigadier's comrades, including the MNR's leader, Mr Afonso Dhlakama, are still waging war in the bush, Brig Malagueta seems to have settled into the capital. He is part of a Joint Verification Commission set up to monitor a partial ceasefire agreed last December between the two sides.

The "mini-ceasefire" along Mozambique's transport corridors began to founder in February but the commission limps on. Ten countries, including Britain, are represented, but their role in the peace process is marginal for as long as talks in Rome between the government and the MNR fail to bear fruit.

The war, meanwhile, has brought destitution to a third of Mozambique's 16m citizens and shattered subsistence farming, already mismanaged by Frelimo in its first 10 years of power.

If a settlement remains elusive, the MNR in Maputo is taking no responsibility for the impasse. "From our side," says Brig Malagueta, "We have always wanted negotiations. One is looking for a way to secure a durable peace."

In the absence of that, a legion of foreign donors and aid agencies in Maputo has poured money into the country with the result that its receipts in official development assistance now account for around three quarters of gross national product.

Beyond the confines of the city, however, this has done little to revitalise the small-farms sector, which is the key to ending hunger in Mozambique and which can only thrive once the war is over.

What exists at present is referred to as a "structural emergency". In plain language, this is a long-term food shortage, verging on famine in some areas, which the aid agencies keep on their books as a rolling appeal from one year to the next. For 1991, 290,000 tonnes of food are required for 1.9m people.

Mozambique is still a patchwork of no-go areas, frequented by the MNR, and outposts of government control, mostly provincial capitals or district resettlement centres, where rural dwellers are herded together to wait for food aid.

Fear of the MNR, which is not discouraged by official reports of atrocities, leads many Mozambicans to flee to government centres: when rebels butchered about 50 people in Nampula province after an onslaught at the end of June, the death toll was instead quoted as 1,000.

It is clear, too, that for Frelimo, which has no real military capacity, resettlement had served a strategic purpose. The MNR likes to occupy fertile areas where civilians can be dragooned into fetching and carrying, and supplying its fighters. Government forces have responded by depopulating the countryside – a policy which has worsened the effects of the emergency.

There are signs that this many now be changing. In Zambezia and Nampula provinces, a militia force raised by a popular eccentric, who "vaccinates" his followers against bullets, has cleared the MNR from large tracts of countryside. Frelimo is urging people to return and cultivate the newly available land.

The move comes at a time when crime is rising in the over-populated centres and food distribution is breaking down: pilfering and fighting over grain is common and outright theft by hungry government troops is on the increase. Indeed in most of the country, anyone with a gun and the remains of a uniform is a potential hazard to civilians.

The enthusiasm with which displaced people are returning to the land, and its fertility in much of Zambezia, can produce startling results. However, only a fraction of the country's displaced are moving back. Meanwhile, the bullet-proof militia has begun to suffer setbacks at the hands of the MNR, which makes the future of the liberated areas uncertain.

With more names appearing on a list of alleged coup plotters, Maputo is deeply engrossed in its own business. Elsewhere the country is on its knees and the emergency looks set to continue for as long as the war.

Unlike Angola, where Washington and Moscow enforced the peace in May, Mozambique lacks the feverish cold war history and potential wealth to bring in the big brokers. Yet, without some similar involvement from outside, the spiral of war and hunger has no visible end.

Red faces at Seoul's economics ministries

John Ridding reports on faltering efforts to contain high inflation and a trade deficit

THERE ARE few smiling faces to be found these days in South Korea's economics ministries.

Reprimanded by their president, Mr Roh Tae Woo, chastised by the press, and faced with a badly overheating economy, economic officials are hurrying to find solutions to a ballooning trade deficit and rising inflation.

Their answer lies in slowing down one of the world's fastest growing economies. But having expanded so quickly for so long, it may be hard to let the steam out of Korea's surging demand.

A slowing down is clearly necessary. The current account, in surplus to the tune of $14bn (£8.2bn) just three years ago, is heading for a deficit of about $8bn this year – more than three times the original target. Inflation, meanwhile, is running at an annualised rate of 9.6 per cent.

As ever in Korea, the emergence of economic problems has set alarm bells ringing. Inappropriate comparisons with Latin America are drawn – even by government officials – and the word crisis becomes common currency.

Earlier this month Mr Roh summoned his entire economics team and criticised them for not paying due attention to the country's economic problems.

The economy is clearly not in crisis. But the current difficulties reflect real problems with economic management. Unless meaningful changes in policy are adopted then the economy's afflictions are likely to be further exacerbated.

Senior policymakers believe the nettle has been grasped. "After the president's order the focus of policy will shift to price stability and the balance of payments," says Mr Suh Sang Mok, a senior policymakers in the ruling Democratic Liberal party. "There will also be a shift from political to economic considerations in policy formulation."

Mr Suh says the current difficulties were borne of mismanagement of the large current account surpluses chalked up in the late 1980s. South Korea's new-found wealth was channelled into consumption and construction rather than investment, research and development.

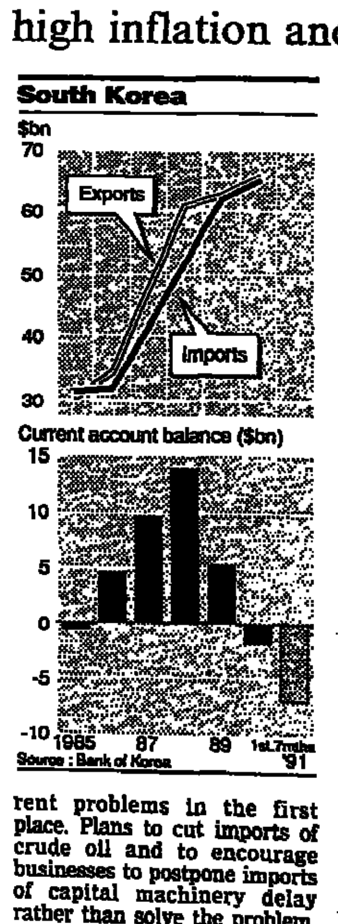
This view is supported by a report from the government's Korea Development Bank which says that construction and construction-related industries accounted for almost half of fixed investment last year and that building materials and equipment represented almost 20 per cent of imports in the first half of 1991.

In response to Mr Roh's admonishments, economics ministries have produced a flurry of proposals. They range from a reduction in next year's budget targets, a cutting of public sector pay rises to 9.8 per cent from the proposed 12 per cent, postponement of private building projects, and possibly a tightening in money supply.

The overall goal, according to Mr Kang Hyon Wook, the vice-minister for economic planning, is to limit growth in gross national product to 8.5 per cent in the second half of this year and 8 per cent next year. First-half growth this year was 9.1 per cent.

But applying the brakes will not be easy. General, presidential and local elections are scheduled for next year, and while party leaders preach the virtues of constraining domestic demand and curbing inflation, the particular demands of their constituents – from new buildings to financial support for farmers – are likely to prove more attractive. Similarly, the government is reluctant to delay urgently needed infrastructural investment.

Many of the measures also smack of the short-termism which helped create the current problems in the first place. Plans to cut imports of crude oil and to encourage businesses to postpone imports of capital machinery delay rather than solve the problem. "There is a danger that we will just see micro-economic solutions to macro-economic problems," says one foreign banker in Seoul.



Notwithstanding these reservations, most economists believe that the worst is nearly over. The growth rate of imports has slowed in the second half, with the exception of a sharp increase in July, while monthly inflation figures have also started to slow – again with an exception, in August.

But there are two potential obstacles to improvement. In the short term, inflation and spending will receive a large boost from public holidays at the end of this month. More seriously, a reversal of the fortunes of the trade account requires continued improvement in exports.

Exports appear to be on a recovery trend. After negligible year-on-year increases in both 1989 and 1990, the first six months of this year saw exports rise 14 per cent over the first half of 1990. The automotive, electronics and shipbuilding sectors have all seen healthy gains.

"Reviving our export machine is the real answer to solving our economic difficulties," says one official at the Economic Planning Board, the top economics ministry. "There is only so much we can do to rein in domestic demand."

AMERICAN NEWS

'Tough manager' takes over at top of World Bank

Michael Prowse sees the man from J.P. Morgan quick to assert his control as the development institution's president

MR Lewis Preston, the 64-year-old former chairman of J.P. Morgan, the New York bank, has lost no time in asserting control over the World Bank. On Tuesday, he announced a radical restructuring of senior management and the creation of a new regional office to focus on the development challenge in eastern Europe and the Soviet Union.

His appointment marks the end of an era for the world's premier development institution. Mr Barber Conable, his predecessor as president, was a personable former Republican congressman who knew nothing about banking and had never run a large organisation. The World Bank changed him more than he changed it. By the time he left, he was making moving speeches about the need to alleviate poverty in the Third World – a far cry from the anti-development Republican rhetoric of the Reagan era.

Mr Preston is entirely different. "If you want to find somebody who will change the World Bank rather than be changed by it, he is the ideal choice," commented a Wall Street banker. "The bank's staff", he added, "have no idea how much things are going to change." Mr Preston is described as charming, but also as a man with an edge, a manager who can be "tough, caustic and sarcastic".

Under relatively weak presidents during the 1980s, two senior vice-presidents at the World Bank, Mr Ernest Stern, an American, and Mr Moeen Qureshi, a Pakistani, exerted tremendous power. They were sometimes seen as running competing "baronies".

The senior vice-president posts have been abolished. In their place Mr Preston is creating a Office of the President with three managing directors: Mr Stern, Mr Sven Sandstrom, a Swedish national who currently runs Mr Preston's personal office, and Mr Attila Karaosmanoglu, a former deputy prime minister of Turkey who ran the bank's Asia region.

Mr Qureshi is retiring in November after a distinguished career at both the bank and the International Monetary Fund.

The management changes will make a big difference. The former senior vice-presidents had operational responsibilities. Mr Qureshi, for example, ran the lending programmes while Mr Stern handled finance. The new triumvirate of managing directors will be advisers to Mr Preston, who will take all the key decisions.

Mr Preston has effectively eliminated a tier of management. The 14 or so vice-presidents at the bank with operational responsiblities will now report directly to him. Mr Lawrence Summers, the chief economist, for example, previously reported to Mr Wilfried Thalwitz, senior vice-president for policy research. Now he will formally have direct access to Mr Preston and may therefore exert more influence over the bank's development strategies.

Lewis Preston: a man with an edge

Mr Frank Vogl, a former director of public relations at the bank, says the changes are likely to be welcomed inside the institution. He says the restructuring was overdue and responds to the criticism that the bank was unwieldy and bureaucratic. It should improve efficiency and promote "quicker decision-making at the top".

The changes should give Mr Preston even more power than he wielded at J.P. Morgan. Some observers worry that if Mr Stern, a formidable personality, emerges as first among equals among the managing directors, the bank will effectively be run by two Americans, something that would not be popular in some client countries.

Mr Preston's biggest immediate challenge is to respond to the development needs of eastern Europe and the Soviet Union. In a recent speech Mr Jacques Attali, the head of the London-based European Bank for Reconstruction and Development, implied that the World Bank's role in eastern Europe would diminish over time as his organisation gathered strength. Mr Preston appears to have little sympathy with this view.

He is creating a new regional office for Europe and the Soviet Union specifically to respond to the "historic changes and opportunities in that part of the world". The bank already has a \$3bn (£1.7bn) portfolio eastern Europe and this is expected to rise to \$5bn over the next two years. The new regional office will be headed by Mr Thalwitz, the third of the former senior vice-presidents, who has already played a key role developing relations between the bank and the Soviet Union.

Mr Preston has so far given no hint of his philosophical views about development. But some clues are likely to emerge in his first big policy speech to be delivered next month at the IMF/bank annual meeting in Bangkok. He seems certain to emphasise the importance of "market friendly" reforms. The US Treasury, however, has gone further and strongly urged the bank to place greater emphasis on the direct promotion of the private sector in developing countries. At one point it seemed to argue that half of the bank's loans should be made directly to private-sector bodies.

While agreeing that entrepreneurship was crucial, Mr Conable defended the bank's traditional interest in areas such as health care, education and infrastructure – sectors where the public sector often plays a dominant role even in developed economies. Bank officials will be waiting anxiously to see whether Mr Preston favours the harder-nosed policies championed by the Bush administration.

Gates looks set to win CIA post

By Lionel Barber in Washington

MR Robert Gates appears to be heading for confirmation as the next director of the CIA.

Despite initial doubts about his nomination, Mr Gates has disarmed critics by offering an apology for his handling of the Iran-Contra affair and promising to work closely in future with congressional oversight committees.

Senator Howard Metzenbaum, the Ohio Democrat who ranks as Mr Gates' fiercest opponent on the Senate intelligence committee which is considering the nomination, has predicted that he will be confirmed.

During the hearings this week, Mr Gates has come across as a great survivor. He has pleaded memory lapses when asked about conversations with CIA officials who passed on their suspicions relating to the secret arms network for the Nicaraguan Contra rebels.

Yet, asked about a controversial 1984 national intelligence estimate predicting political unrest in Mexico, Mr Gates recounted the episode in detail.

Senators Alan Cranston, John Glenn and Dennis DeConcini, all Democrats who might have led the charge against Mr Gates' nomination, have been weakened by their own ethical problems relating to the Keating Five savings and loan scandal. "We've all made mistakes," said one senator, summing up the committee's inclination to forgive and forget.

The most serious obstacle to the nomination of Mr Gates, who was deputy director of the CIA between 1986 and 1989 under Mr William Casey, remains the Iran-Contra affair, however.

The committee is still to hear testimony from several former CIA officials who were involved in the scandal.

Mr Lawrence Walsh, the special prosecutor investigating the scandal, is also reported to be ready with further indictments against at least one senior agency official.

OECD blames labour policy for high unemployment and low growth

'Inflation key to Canada's prospects'

By Bernard Simon in Toronto

CANADA'S economic prospects depend heavily on further progress in bringing down inflation and containing budget deficits, the Organisation of Economic Co-operation and Development (OECD) says in its annual review of the Canadian economy, published today.

While applauding Ottawa's recent moves to lower inflationary expectations, tighten fiscal discipline and remove some of the structural barriers to long-term growth, the OECD says more needs to be done if Canada is to regain its position as one of the fastest-growing industrial economies.

In a special section, the report also singles out aspects of labour policy which have contributed to unusually high unemployment and one of the lowest rates of productivity growth among OECD countries.

It points to relatively high minimum wages, an unemployment insurance scheme so generous that it often discourages the jobless from seeking work, and "significant problems" in the general education system. Close to one in three students drops out before completing high school.

The OECD forecasts that the Canadian economy will return to positive growth in the second half of this year after an unexpectedly deep recession. Real gross domestic product is expected to grow by 3.1 per cent in 1992, after a 1 per cent decline this year.

The recovery will initially be led by exports, which are expected to jump by 5.6 per cent next year, after stagnating in 1991. Improved consumer demand and business investment should follow in 1992.

In the longer term, growth will be given considerable impetus by the US-Canada free trade agreement and by recent sales-tax reforms. These two factors should boost output by 3.5 per cent and 1.5 per cent respectively, the OECD estimates.

PERCENTAGE CHANGES FROM PREVIOUS PERIOD
(Seasonally adjusted annual rates)

	1991	1992
Demand and output volumes (1986 prices)		
Private consumption	−1.2	2.4
Gross fixed investment	−6.3	4.5
Total domestic demand	−1.4	2.9
Exports of goods and services	−0.2	5.6
Imports of goods and services	−1.9	5.0
GDP at market prices	−1.0	3.1
Inflation		
GDP implicit price deflator	4.6	3.0
Industrial production	−2.2	3.4
Unemployment rate*	10.1	10.1
Current balance (\$ bn)	−15.6	−14.3

* As a percentage of the labour force. Source: OECD

It says the main risks to Canada's recovery include a delayed upturn of the US economy, and the stretched financial condition of many businesses and households.

Furthermore, the present debate over Canada's political future is a "major source of uncertainty" which could lead to "financial-market nervousness and significant changes in the country's fiscal structure".

On the other hand, prospects could be improved by the impact on inflation and interest rates of slack demand and high unemployment. The OECD forecasts that inflation, measured by the GDP price deflator, will ease from 4.6 per cent this year to 3 per cent in 1992, which would be below the average in the leading western economies. The government has set an inflation target of 2.3 per cent a year on average between 1993 and 1996.

Unemployment, currently at 10.6 per cent, is expected to remain above 10 per cent until at least the end of 1992.

The report urges the authorities to keep a tight rein on fiscal policy even during the current period of weak demand. Although the federal deficit has dropped from 8.75 per cent to 4.5 per cent of GDP since 1984, the deficit in absolute terms has in recent years remained stuck at around C\$30bn (£15.5bn).

The OECD notes: "Canada's budgetary problem is very much a debt problem." It warns that "repeated corrective fiscal action has not sufficed to break out of the vicious circle of persistent public deficits and mounting debt charges".

Fed's survey sheds doubts on recovery

By George Graham in Washington

THE US Federal Reserve yesterday shed doubt on the strength of the country's economic rebound and warned that many regions were still not sharing in the recovery.

The survey of economic conditions drawn from the 12 Federal Reserve banks around the US said there was "little sign of a sizeable rebound in consumer spending that will contribute to a strengthening in business activity".

The survey backs up the Fed's decision last week to cut interest rates, and undermines the Bush administration's contention that the economy is on the way to a sustainable recovery after a recession this winter.

Manufacturing showed the most strength, the Fed noted, with the Cleveland and Chicago areas showing the greatest rebound from the recession. The Boston and San Francisco regions, however, were still not showing an upturn in industrial activity.

Agriculture has been hit by the hot dry summer, with maize harvests particularly affected, although rice and cotton crops are expected to be strong.

The survey said there was "little sign of a sizable rebound in consumer spending that will contribute to a strengthening business recovery".

Retail sales in recent months showed only scattered improvement, and most retailers were cautious about sales prospects.

Residential investment, meanwhile, "seems to have lost some upward momentum in recent months". Fewer than half of the districts reported increases in housing sales and housing starts. Reports from most districts suggested that the recovery in sales and starts has slowed recently, although a few districts said sales or starts were still rising in July and August.

Most districts reported either little demand for new mortgage loans or slight declines from previous months.

WORLD TRADE NEWS

Brussels may change farm subsidies offer

By David Gardner in Brussels

THE European Commission is considering whether to propose a change in the EC's offer to reduce farm subsidies within the Uruguay Round trade negotiations, in the light of Brussels' plans to reform the Common Agricultural Policy (CAP).

The debate, being conducted in secret among senior Brussels agriculture officials, is based on calculations which suggest two different but equally sensitive possible conclusions.

These are that:

- If the EC adopts the radical CAP reform plan the Commission approved in July, it will still not be able to meet the subsidy reductions it has offered the General Agreement on Tariffs and Trade (Gatt) within the Uruguay Round.

This assumes that direct payments to farmers for swingeing price cuts will still be considered subsidies and therefore trade distorting, even though they are largely decoupled from production;

- Alternatively, if the direct income payments are considered "production-neutral" – and put in the Gatt's so-called "green box" for subsidies which have no impact on trade – then the cuts the EC plans for its internal farm regime are far in excess of its Uruguay Round offer.

The first premise is likely to suggest to EC agriculture ministers and the big farm lobbies that the already rejected offer within Gatt – to cut domestic subsidies by 30 per cent over 10 years counting from 1986 – is too generous and should be reduced.

But the second premise, based on figures which show that the EC would be cutting its trade distorting subsidies on cereals, for instance, by 210 per cent, is likely to fuel the opposition to CAP reform, which insists the Commission is going far too far.

The council of agriculture ministers, which meets here on Monday to discuss the CAP reform plan, has refused to allow the Commission to go beyond the offer rejected within Gatt last December, which brought the Uruguay Round to a standstill.

The council is also deeply hostile to the new CAP blueprint, though it has failed to come up with an alternative.

But negotiation on CAP reform is certain to take until at least next spring to complete.

Brussels thinks that unless the Gatt round is completed earlier, it could get pushed aside by next year's US presidential election campaign.

It was the US and the Cairns Group of agri-exporters led by Australia which turned down the EC offer last December.

Although, politically, the Commission refuses to acknowledge the relationship between the Gatt and CAP reform, it is anxious to formulate a coherent position. The available details of Brussels' still preliminary thinking on a new Gatt offer are contained in a confidential Commission memo.

The council of agriculture ministers remains deeply hostile to the Brussels blueprint for reform

This says that the EC's current offer within Gatt requires it to reduce total subsidies (aggregate measurement of support) by 23 per cent by between now and 1995.

The CAP reform plan – if all subsidies and payments are lumped together – would only reduce support by 18 per cent.

But if direct payments to farmers are put into the "green box", the EC would overshoot its offer within Gatt by 25 per cent.

In the most politically sensitive areas for the EC, the figures are starker.

Under the first premise, the EC's cereals subsidies would be cut only 9 per cent rather than the 22 per cent in the Gatt offer.

This is because of high compensation offered to the EC's farmers for a 35 per cent price cut and taking land out of production.

But if this compensation is taken out of the equation, the EC would over-achieve its Gatt target by 210 per cent.

Japan warns two sectors on collusion

By Robert Thomson in Tokyo

JAPAN's Fair Trade Commission, under pressure to prove to Washington that it is cracking down on corporate collusion, has issued warnings to the pharmaceutical and cleaning industries to stop violating anti-monopoly laws.

Six home cleaning companies were ordered to disband a cartel for cleaning equipment prices, and the Japan Dust Control Association, an industry body, was told to end an agreement among member companies not to compete for each other's customers.

The FTC also ordered drug manufacturers to stop reimbursing wholesalers for losses incurred after they were directed by the makers to sell products at a loss to retail companies in an attempt to gain market share. The commission said that the companies had not understood that they were breaking the anti-monopoly law.

Both cases are part of the FTC's campaign to raise awareness in Japan about anti-monopoly violations which, in some industries, have been regarded as accepted business practice. US trade negotiators have urged Tokyo to strengthen the FTC to ensure that foreign companies have reasonable access to the Japanese market.

The government has increased the FTC's budget, allowing the commission to hire more investigators, though Washington is still pushing for tougher penalties.

US officials also want the FTC to investigate the corporate families known as keiretsu, which some in Washington consider are, by their nature, an obstacle to fair competition.

Executives of the six cleaning companies are said to have agreed on an industry-wide 25 per cent rise in home cleaning equipment rental charges in January last year. The FTC formally ordered the six companies to compete for customers and to establish independent pricing schedules by next week. One of the six, Duskin, admitted that the group had co-ordinated business activities, but said that the company "didn't realise that it was breaking the anti-monopoly law".

Marconi seeks answer to lost Turkish tender

By John Murray Brown in Ankara

MARCONI officials were yesterday still trying to figure out why they had lost to Texas Instruments of the US a \$85m (£50.2m) contract to supply the Turkish army with night sighting equipment.

"Technically we thought we were good. Financially we knew we were good," says a UK official, following the announcement on Tuesday. It is no longer enough, it seems, to satisfy SSM, the official defence procurement agency, for whom Marconi had already supplied the first 100 thermal imaging units to be used on armoured personnel carriers manufactured under joint venture by FMC of the US. "They can sign any number of lucrative contracts with SSM. But if the army is unhappy, they just store up trouble for themselves," says a western defence expert.

But the night sights equipment was just one of a number of sub-systems on the FMC vehicle not to the soldiers' liking. Detroit Diesel is now likely to have to upgrade its engine, while the 25mm gun is the centre of a dispute with the Swiss after Berne embargoed the sale of Oerlikon's gun on the grounds it could be used against Turkey's Kurdish separatists. McDonnell Douglas of the US, Mauser of Germany and the French group Giat have been asked to retender.

Turkish land forces were reportedly opposed to SSM's preference for Marconi, complaining its range was insufficient. Marconi met the complaints, modifying its system, and spending considerable sums to integrate the product to FMC's turret design.

Another factor, defence experts say, was the government's decision to support Aselsan, the military's own electronics supplier and Texas Instruments' local partner. Mr Barlas Dogu, defence minister, described the deal as "a great opportunity for Aselsan to work with the most modern technology".

Britain to boost Indian aid

By David Dodwell, World Trade Editor

BRITAIN is to boost bilateral aid to India by £30m this year, and is backing a World Bank appeal to aid donors gathering today in Paris to find a further \$700m (£414.2m) in emergency assistance to help India avert a balance of payments crisis.

The British decision, to boost aid from £90m to £120m – with the extra sum being in the form of quick disbursing budget assistance – is also intended to signal support for wide-ranging budget reforms recently announced by the government in Delhi.

"The Indian government is at the start of a long-term reform agenda, and the process deserves greater donor support," an official said. India almost defaulted on servicing its \$70bn foreign debt earlier this year. Commercial lenders are refusing to extend fresh loans because of continuing fears over the country's creditworthiness.

India needs capital inflows of about \$9.2bn this year to cover an expected current account deficit of \$6bn and debt service costs of \$3.2bn. The World Bank says that normal aid flows, investment, and trade credits will cover just \$5.5bn, leaving a \$3.7bn shortfall. Multilateral agencies are expected to provide \$2.6bn, with donor countries adding \$700m, and \$400m still unsettled. Japan is expected to account for a large share of the new donor funds – perhaps more than \$400m.

The Paris Club of sovereign creditors should have met two months ago to finalise 1991 disbursements, but the assassination of Rajiv Gandhi and national elections delayed preparation of an Indian budget that aims to bring the country's fiscal deficit down to 6.5 per cent, proposes wide-ranging structural reform, and aims to improve industrial competitiveness.

Indian officials in Paris can expect close questioning on their determination to implement reforms, particularly in the public and energy sectors. Aid commitments in 1992 will depend on progress between now and the next budget.

Index planned to show tax burden on tourism

By David Dodwell

THE World Travel & Tourism Council and McDonnell Douglas are to compile a worldwide index measuring how many cents in every tourist dollar are going to governments in the form of taxes and charges on travellers and travel companies.

The move is intended to highlight "the increasing tendency for governments to pile market depressant charges and taxes" on international travel, according to Mr Geoffrey Lipman, president of the World Travel & Tourism Council (WTTC), at the end of a two-day meeting of the WTTC executive in London yesterday.

The move coincides with a specific protest to the Finnish government, which is considering a \$48 (£28.40) airport exit tax as part of a budget balancing exercise.

The index, drawn from a database compiled by the Wharton School in the US, will first identify government charges among OECD countries. It will separately track charges levied on transport, accommodation, catering, travel services, and tourist attractions. Travel and tourism account for more than \$3,000bn a year – about 5.5 per cent of global GNP – and one job in 14, the WTTC says.

Chile and Mexico display the pioneer spirit

A trade pact shows what can be done when the political will is there, writes **Leslie Crawford**

CHILE and Mexico, pioneers of the economic reforms now sweeping the continent, on Sunday become the first countries in Latin America to sign a Free Trade Accord (FTA).

Mr Carlos Salinas de Gortari, the Mexican president, will be initialling the treaty alongside Mr Patricio Aylwin, the president of Chile, during a 24-hour visit to Santiago.

The agreement is exceptional in more than one respect. It was negotiated in just eight months – an example of what can be achieved when the political will is strong enough to overrule protectionist concerns and bureaucratic inertia.

More surprising is that the two countries did not even have diplomatic relations 18 months ago. Mexico broke off ties after the 1973 military coup in Chile, and relations were only restored with Chile's return to democracy in March 1990. Both countries, however, have come to regard themselves as natural partners in Latin America due to the similarity of their economic strategies – encouraging foreign investment, promoting exports and reducing the size of the public sector.

Many of the young Turks in both governments were trained at the same US universities. The trade negotiators for Chile and Mexico, Mr Andres Velasco and Mr Pedro Noyola, are in their early 30s and friends from their student days in the US. It took only six meetings to hammer out the agreement and the final deal was clinched over lunch at the Andean ski resort of Portillo.

The diplomatic rupture during Gen Augusto Pinochet's dictatorship kept bilateral trade artificially low. "There were no export promotion agencies, no credit insurance, no direct flights between both countries and no travel visas," explains Mr Velasco. Even today, the \$160m (£94.6m) of annual trade between Chile and Mexico represents only a tiny fraction of their total commerce.

Chilean exports are expected to top \$9bn this year, while Mexican exports earn three times that amount. Nevertheless, Mr Velasco believes the FTA could allow bilateral trade to expand five-fold in the medium term. In addition, he hopes homogenisation of foreign investment rules and a double-taxation agreement, expected to be ready by year-end, will encourage joint ventures in both countries.

The countries' trade negotiators, friends from their student days, managed to clinch the deal over lunch at an Andean ski resort

Over the past few months, Chilean and Mexican companies have been quietly exploring the possibilities of teaming up in areas as diverse as wine-making and computer software.

"We are issuing over 1,000 travel visas a month, mainly for Chilean businessmen," says Mr Horacio Flores de la Peña, Mexico's ambassador in Santiago.

The most important aspect of the accord is that it abolishes all non-tariff barriers, such as import licences, in one fell swoop. Beginning in January 1992, 95 per cent of trade will carry a common tariff of 10 per cent that will drop to zero over four years. Tariffs on a dozen "sensitive" items, such as wood, meat, petrochemicals, polyester and nylon fibres, will fall to zero over six years.

Tariff reductions have yet to be negotiated for a third group of commodities, including wheat, sugar, oilseeds, petroleum and derivatives – but these are not important items in the bilateral trade.

The Chile-Mexico pact is less ambitious than the Mercosur accord between Brazil, Argentina, Uruguay and Paraguay, which aims to establish a common market. Chile has declined to join the integration efforts of its southern neighbours, believing it has nothing to gain until Brazil and Argentina make further progress in economic reform. Instead, Chile has opened exploratory free trade talks with Washington and Venezuela, although it knows that an FTA with the US will have to wait until Mexico, Canada and the US conclude their trade pact.

UK NEWS

STREET SCENE: Labour's poster campaign carries a stark message for the passer-by

Opposition seeks to shift debate to health service

By Alison Smith

LABOUR yesterday sought to shift the political battleground to the National Health Service, which it claims the Tories will privatise.

However, the political emphasis on the economy resurfaced with the intervention of Mr Robin Leigh-Pemberton, governor of the Bank of England, who said Britain was coming out of recession.

A rash of claims and counter-claims from senior ministers and Labour spokesmen intensified the atmosphere of electioneering, though this shed little light on a possible election date.

Labour repeated its demand for an early election. Speculation over a November date has been cooled slightly by the most recent opinion poll which showed the two main parties neck-and-neck in potential support among voters.

The Tories dismissed Labour's health campaign as "shoddy scare-mongering", but Mr Neil Kinnock, the Labour leader, said the prime minister had shown that he wanted the NHS to be more dependent on the private sector.

On Tuesday, Mr John Major had spoken of the scope for "collaborative ventures" between the NHS and the private sector.

Mr Kinnock said: "It is not collaboration, it is the colonisation of the NHS by private medicine actively promoted by the government."

In a counter-attack, Mr Norman Lamont, the chancellor of the exchequer, accused Mr Kinnock of being inconsistent.

"If Mr Kinnock can shed so quickly so many principles he believes in, how long will it take him to shed the principles he does not believe in?", he said

Mr Douglas Hurd, the foreign secretary, said the opposition approach to public services remained rooted in the 1960s and 1970s, and would reduce choice and competition.

"Their twin-track approach consists merely of spending more and imposing more controls," he said. And he also turned on the Liberal Democrats, the centre party, accusing them of effectively being "a one-man band".

The Tory party will step up its campaign today, with the launch of a political magazine called Transforming Britain – which will emphasise Mr Major's vision for the future – and a party political broadcast.

Labour professed delight that Mr Major's speech on the health service had put the issue back at the heart of the political agenda.

Labour's private polling suggests that health is its biggest strength because of a persistent belief among voters that the Tories will privatise the NHS.

Mr Robin Cook, the opposition's spokesman on health, cited the use of private contractors for hospital work and the encouragement of private medical insurance through tax relief as examples of ways in which the Tories had "spent this parliament paving the way for privatisation of health".

● The professional institute representing the UK's personnel managers found itself at the centre of a political row over the Labour party's pledge to introduce a national minimum wage.

The 50,000-strong Institute of Personnel Management appeared, over 24 hours, to withdraw its support for the concept of a "properly constructed" minimum wage policy.

The apparent U-turn leaves the Institute open to accusations of having succumbed to political pressure on the issue from Mr Michael Howard, employment secretary.

BRITAIN IN BRIEF

BA prepares to introduce new fares

British Airways is to introduce fares below its officially-quoted tariffs next month.

The airline will distribute discount tickets to 7,000 high street travel agents around the country, which will compete with cut-price "bucket shops" selling bargain fares.

Return fares on some trans-atlantic routes will go on sale from October for little more than £200 return when bought 14 days in advance.

The Department of Transport said it was technically illegal to sell tickets below prices approved by it and the Civil Aviation Authority.

BA denied that the action was the result of falling passenger demand for seats at official prices.

Labour pledges BBC inquiry

A Labour government would set up an independent inquiry into the future of the BBC, Mr Robin Corbett, the opposition's broadcasting minister, promised.

The BBC's Royal Charter comes up for renewal at the end of 1996. The debate is already under way about what the future structure of the corporation should be and how it should be financed.

Mr Corbett said that a Labour government would establish an inquiry immediately after a general election. The aim would be to ensure that the BBC's cultural and community role got equal consideration to its commercial future.

Labour also outlined details yesterday for an initiative to try to regenerate the film industry, an industry which saw investment plunge from £272m in 1985 to £79m in 1989.

City types bowled over by a gentle art

THE GENTLE art of bowls has provided a welcome diversion for the City Of London this summer during a long spell of distinctly un-English fine weather. At Finsbury Square, pictured above, Charles Dias, captain of the Enskilda Securities bowls team and a compliance officer, admits: "It takes your mind off work". Mixed teams from 15 companies, including BP, Reuters and Warburgs have held leisurely battles since April. Picture by Tony Andrews

EC securities complaint

The British government formally complained to the European Commission about the Italian government's securities legislation, known as the SIMs law, introduced earlier this year.

This requires any firm wishing to do securities business in Italy to set up a subsidiary there. In the view of the British government this is in breach of the Treaty of Rome.

Mr John Redwood, corporate affairs minister, said: "The local incorporation requirement of the SIMs law is an unacceptable barrier to the freedom of establishment and the free provision of services which are principles enshrined in the Treaty of Rome."

Bank admits card mistake

The Bank of Scotland confirmed it had paid a customer compensation for money wrongly withdrawn in his name from a cash dispenser.

In a statement it said it had done so in anticipation of the implementation of the new Bankers' Code of Conduct. It was the first time a UK bank had admitted that such automated teller machines can make mistakes.

Press watchdog prepares report

The Press Complaints Commission is planning to publish a detailed analysis of how far its adjudications have been observed.

The analysis will be contained in the first annual report of the self-regulatory body for the newspaper industry, set up in the wake of the Calcutt Committee on privacy. It is due in January next year.

The report may help to determine whether self-regulation of the industry is to survive.

Ethnic monitor for legal sector

The Lord Chancellor is to begin ethnic monitoring of applicants for judicial appointment and appointment as Queen's Counsel.

The move follows widespread concern amongst lawyers at the very low levels of ethnic minority representation in senior positions within the legal profession.

Six per cent of the 6,000 practising barristers, or trial lawyers, are drawn from ethnic minorities but only one per cent of the 48,000 practising solicitors, non-trial local practitioners in England and Wales, falls into that category.

BSkyB set to add channel

British Sky Broadcasting is expanding to six channels despite still losing around £1.6m a week. The satellite television company is to launch a comedy channel at the beginning of next month. The channel, transmitted by the Astra satellite system, will be scrambled for copyright reasons and available only to film channel subscribers although at no extra charge.

Governor hails upturn in economy

By Paul Cheeseright and Michael Cassell

THE ECONOMY is moving out of recession, Mr Robin Leigh-Pemberton, the governor of the Bank of England, said yesterday, but he warned that there would be no sustainable growth without price stability.

His optimistic tone was echoed by Mr John Banham, director general of the Confederation of British Industry, the employers' organisation, who said there were encouraging signs that the recession would be followed next year by the start of a period of sustained economic growth.

He suggested that the recession had now bottomed out in most sectors and that a modest recovery late this year should give way to longer-term economic buoyancy.

In a speech to the Birmingham Chamber of Industry and Commerce and the West Midlands branch of the Confederation of British Industry, Mr Leigh-Pemberton was emphatic that "only the steady application of an appropriate medium-term policy can lay the foundations for stable non-inflationary growth."

Although Mr Leigh-Pemberton's appreciation of the state of the economy was closer to that of the UK government than that held by many in his audience, his attempt to lift the economic horizon from the short to the longer term was an implied warning to the chancellor of the exchequer not to deviate from present policy in the approach to an election.

Mr Leigh-Pemberton distanced himself from those, like the Labour party, the CBI, who would like to give the economy a kick-start. "There is no short cut to higher investment and growth through artificial stimuli to investment and consumption."

He was now more optimistic about the immediate economic prospects than the Bank had been in August, when the quarterly economic bulletin talked of "bumping along the bottom". Mentioning the latest statistical evidence of a rise in total manufacturing output, lower wholesale prices and a fall in the retail price index, he said "the picture is undeniably improving". Above all, "growth in wages and prices is still declining".

Mr Leigh-Pemberton said his future concern was to ensure that inflation was always nipped in the bud before it became serious.

TV bidders on edge of their seats

Raymond Snoddy examines the auction for commercial TV licences

AFTER years of speculation, the fate of ITV is almost sealed. The Independent Television Commission is about to choose the winners and losers from 40 applicants for 16 commercial television licences.

Yesterday the Commission, under its chairman Mr George Russell, reached the critical phase of deciding, region by region, who has passed the "quality threshold". It is likely to finish the process today. The test covers both the quality of the programmes and the viability of business plans designed to sustain franchise holders for 10 years from 1993.

Further meetings are planned for the beginning of October to tie up loose threads and review the effect of those decisions on the ITV network. Then the commission will consider the confidential cash bids that in most cases will determine the outcome.

Bidders have been clutching at every communication from the ITC to see if any secrets can be gleaned.

Mr Bruce Gyngell, chief executive of TV-am, the breakfast television company, is exuding confidence in spite of being outbid by both his rivals, Sunrise and Daybreak. Has he had a nudge or a wink or is he just one of life's optimists?

The only safe bet is that no-one knows what the commission plans to do and that the odds are against anyone finding out before the winners are announced, probably in the week beginning October 15.

George Russell: chairman

The leaking of most of the confidential bids, even though the business plans which underpin the numbers remain secret, reveal two difficult issues facing the commission.

It must decide what to do about the six ITV companies which have outbid the opposition: TVS Entertainment, Television South West, Tyne Tees, Yorkshire, HTV, and Anglia.

The bids are high, but the companies have all used respectable consultants to forecast their advertising revenue.

With the possible exception of TVS, which has bid nearly £60m a year in 1993 prices, almost certainly more than £20m a year above its nearest rival, the six are likely to make it. Even TVS has probably a slightly better than even chance of joining them. If it retains its franchise, Time Warner, which is the world's largest media group, Canal Plus, the French subscription television company and Associated Newspapers have agreed to take part in a £30m refinancing.

If TVS is excluded on the basis of its business plan, the company would go for judicial review and the commission could find itself having to prove why its advertising revenue forecasts were better than those offered by TVS.

Nine ITV companies could therefore be home and dry – the six plus Central, Scottish and Border which were unopposed.

If high bids are accepted from incumbents, it is difficult to see how Sunrise and Daybreak can be excluded on financial grounds. It is equally difficult to see how Sunrise – whose shareholders include LWT, Scottish and Disney – and Daybreak – backed by Independent Television News, NBC, the Daily Telegraph and Carlton Communications – could both fail the programme quality test. It looks as if Sunrise, which has marginally outbid Daybreak, has a good chance of winning the franchise held by TV-am.

The ITC's other problem is what to do about the three large companies, Granada, LWT and Thames, which have been outbid. The television industry finds it difficult to believe that all three will be allowed to go.

This autumn Thames alone is providing 47.5 per cent of the weekday schedule between 6.30pm and 10.30pm, excluding news, sport, films and local programming.

No-one knows which way the commission will jump, but the betting in the industry is that Granada will see off Phil Redmond's North West Television, and that LWT will beatLIB by a whisker. In both cases the quality threshold would be the most likely mechanism used to exclude the higher bidder.

The largest question mark hangs over Thames, which is the biggest ITV company. Not only has it been outbid, but Carlton Communications, the television production and services company, is probably the strongest outside bidder.

Thames hopes the ITC will use its power to invoke "exceptional circumstances" to save it. The commission will be reluctant to use "exceptional circumstances" because of the likelihood that this will lead to judicial review. If Thames, TV-am and two small regional companies lose their franchises, both the ITC and the government could justify the process.

The government would have got what it wanted – more money for the Treasury and Mr Russell would have delivered change without destabilising the ITV system. The commission, while maintaining its reputation for secrecy, may also have inherited the IBA's ability to come up with surprises.

Economics of the tunnel force the pace in cross-Channel competition

Richard Tomkins, looks behind Sealink's decision to cut 1,500 jobs

The long shadow of the Channel tunnel lies behind yesterday's announcement that Sealink Stena Line is to make 1,569 people redundant from its UK ferry operations.

With just 21 months to go to the tunnel's planned opening date, passengers and goods travelling between the UK and the Continent will soon be presented with a quicker and easier way of crossing the channel than using the ferries.

The tunnel will also be cheaper. Unlike the ferries, it will combine high fixed costs with relatively low operating costs, so it will serve its owners' interests to chase volume by undercutting the ferries.

Between now and June 1993, therefore, the ferry operators have to bring their costs down to a level which will enable them to enter a price war with the tunnel without being driven out of business.

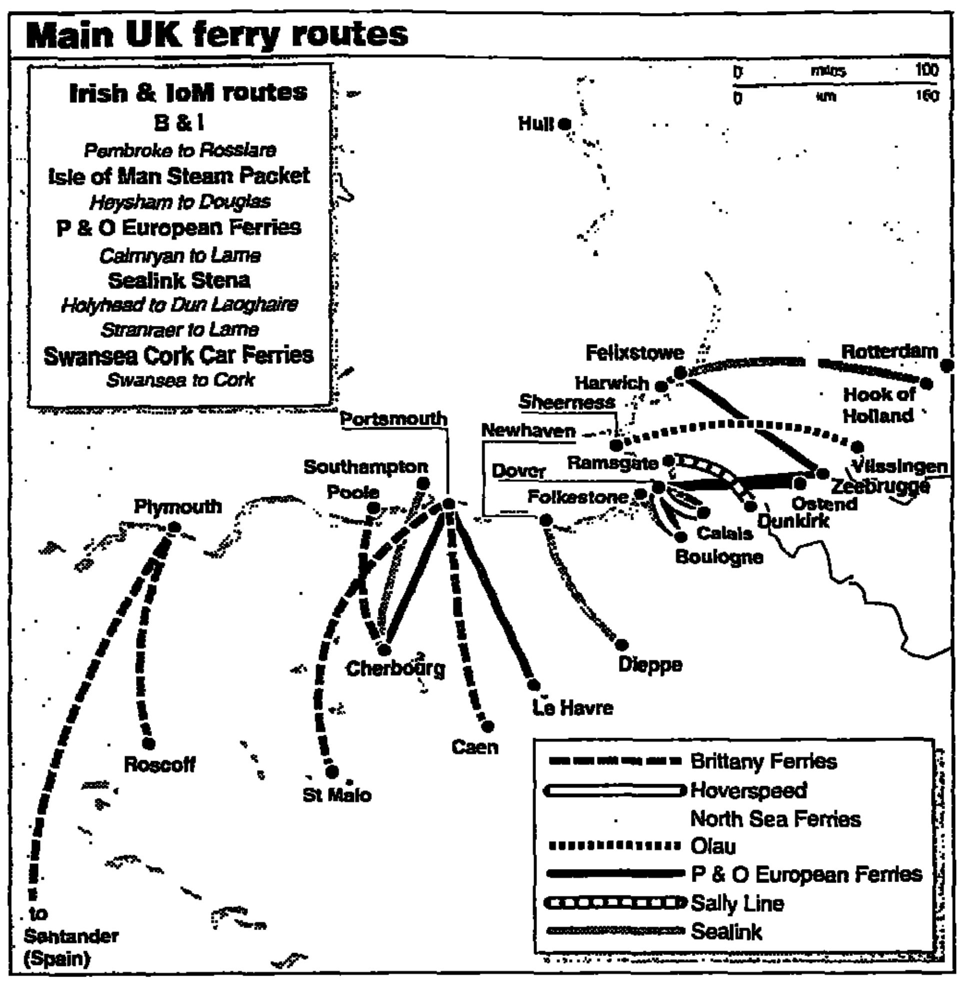
P&O European Ferries, market leader on UK-Continental routes with 51 per cent of the passenger journeys in 1990, has already taken pre-emptive action. In 1988 it provoked a damaging and painful bout of industrial action when it insisted on changes to restrictive and out-dated working practices on its ferries.

The company emerged from the dispute with 800 fewer seafarers and a great deal of lingering acrimony, but in far better shape to cope with the threat of the tunnel. But the task that faces Sealink is far greater. Where P&O's ferry operations have their roots in an entrepreneurial business set up by the private sector, Sealink's lie in the unproductive ownership of British Rail.

Only in 1984 did it emerge from the state sector, when it was privatised through a trade sale to Sea Containers, the shipping and container rental group: and Sea Containers had still failed to eliminate Sealink's extensive overmanning and restrictive working practices when it faced a hostile bid from Stena, the Swedish ferry group, and Tiphook, the UK container company.

Fourteen months later the bid was resolved when Sea Containers surrendered its container interests to Tiphook and its Sealink ferry operations to Stena.

Main UK ferry routes



The industry's suspicions that Stena had paid too much, £380m, were confirmed by Stena's revelation that it faces a pre-tax loss of SKr300m (£28.2m) this year against the previous year's severely depressed profits of SKr107m, almost wholly because of the poor performance of Sealink.

Stena cannot be accused of having failed to address Sealink's productivity problems. In October 1990, just six months after acquiring the company, it announced a twin-track programme of 849 job cuts and £178m worth of investment in vessels and routes in an attempt to improve Sealink's market position.

The programme, however, has backfired. Growth in traffic volumes has fallen far short of the level needed to fill the extra capacity. About 37 per cent of Sealink's revenue is still absorbed in staff costs compared with an average of 25 per cent for ferry operators.

The consequent losses now appear to have injected a sense of urgency into Sealink. Mr Gareth Cooper, managing director, was probably not exaggerating yesterday when he said that the company's survival depended on drastic cuts in its costs.

The prize if the restructuring works goes beyond the immediate improvement in Sealink's financial performance. If its cost base can be brought down closer to that of P&O, the two companies will be better placed to pool their resources on the short sea crossing in opposition to the Channel tunnel, if the Monopolies Commission allows them to do so.

But the dangers of failure are real. The opening of the tunnel will massively increase capacity on the ferry operators' busiest and most profitable routes between the UK and France. Not even the most optimistic forecasts of traffic growth suggest that demand will be sufficient to mop that capacity up. Something will have to give: and on this week's showing, Sealink is looking extremely vulnerable.

Background on Stena, Page 14

MANAGEMENT: Marketing and Advertising

David Owen casts light on the volunteer 'agency' which helps shape the image of Neil Kinnock and the Labour Party

Me and my shadow

If the Shadow Communications Agency (SCA) has as good a general election campaign this time as it did in 1987, the removal vans may yet be back at Number Ten taking John Major's cricketing bric-à-brac out and putting Neil Kinnock's Brahms collection in.

Four years ago, the British Labour party's surprisingly slick, authoritative campaign won widespread critical acclaim but was not translated into enough votes to make a significant dent in the Conservatives' comfortable majority.

It did, at least, help to ensure that the two-headed challenge from the erstwhile Alliance – whose symbol at the time might have been the pushmepullyou – did not propel Labour into a disastrous third place in terms of votes cast, as almost occurred in 1983.

For the forthcoming election, the party leadership believes that its painstaking policy review – which *inter alia* has seen Labour ditch its commitment to unilateral nuclear disarmament – should retrieve enough lost votes to make it electable. In marketing parlance, the product as well as the packaging promise to appeal.

As the body charged with hitching specialist marketing, polling, advertising and PR expertise to the Labour bandwagon, the largely volunteer SCA has played a key role in the party's late-1980s transformation. This has gone far beyond masterminding that mould-breaking 1987 campaign.

For example, the agency oversaw the extensive market research programme that provided the outline of voter opinions and aspirations with the help of which current policy was formulated.

It has also been credited with a host of image-building moves from the adoption of the now ubiquitous red rose as the party's emblem to Neil Kinnock's shift to shorter hair and darker suits.

Thanks to its success in delivering a uniformly high standard of work on a limited budget, the SCA has aroused much curiosity over the past four years. Among the biggest mysteries is its composition: just who are the dedicated band of specialists who volunteer their skills?

The SCA's hub has long been the BMPDDB Needham advertising agency – formerly Boase Massimi Pollitt. BMP first caught the eye of the political left with its anti-abolition campaign on behalf of Ken Livingstone's Greater London Council. "It is hard to overestimate the importance of the GLC campaign; it made advertising politically acceptable to the left," says Peter Herd, BMP's former business director.

BMP supplied many of the SCA volunteers, including Christopher Powell, its current chief executive, and hosted several of its meetings. "The red rose first appeared at BMP," recalls one media strategist who has again volunteered to be pressed into service in the forthcoming campaign.

The BMP connection also helps to explain the SCA's penchant for secrecy. "There were a lot of people on the BMP board who would have been uncomfortable about working for an agency corporately handling the Labour party," Peter Herd recalls. "So we did it as a substantial part of a group called the Shadow Communications Agency. It was better for BMP and better for Labour because they didn't have to pay."

"What you are getting above all is commitment and that is not necessarily something you can go out and buy," says Tony Page, a former assistant in shadow cabinet member Jack Cunningham's office.

In the phrase of Colin Byrne, Labour's chief press officer, the unpaid helpers enable the party to avoid "the Heinz beans syndrome". By this he means the tendency of advertising agencies to concentrate their best talent on the most lucrative accounts.

Co-ordinating the efforts of the volunteers and interpreting their findings to the party at large since the early days have been Philip Gould, a communications and marketing specialist whose company – Philip Gould Associates – boasted Labour as its principal but not exclusive client, and Peter Mandelson, until recently the party's powerful communications director.

Gould remains a key figure, reporting direct to party general secretary Larry Whitty on financial matters. However, Mandelson's day-to-day involvement with the agency has stopped since he departed Labour's Walworth Road headquarters. Responsibility for commissioning creative work now rests with David Hill, the new communications director.

Before the 1987 election, an important part of Mandelson's role was to protect the volunteers from the still powerful voices within the party who saw the changed attitude to marketing as symptomatic of Labour's betrayal of its socialist ideals and viewed the SCA with scepticism or outright hostility.

"As far as possible, Peter tried to interpose himself between the agency and the politicians," says Tony Page. "I think that was sensible; some of the people involved who were offering their services free had had very limited access to the party and he didn't want them to be put off by those who were hostile."

Over the past two or so years, the agency has faded rather more into the background partly because of its volunteer-based format and partly because certain tasks – for example, schooling MPs in media-handling techniques – need only to be carried out once.

"I am doing less now than I was because the party has its act together more in terms of media relations," explains one volunteer.

Qualitative market research is, however, conducted pretty much continually, agency insiders say, while Gould is quite closely involved in "things like policy document launches". By-elections constitute one area which does not generally receive the full SCA treatment. "Because we were using volunteers from the top agencies, we couldn't call on their services except on big campaigns," says Peter Herd.

With an undeniably big campaign now almost upon the electorate, the question is "Can the SCA again come up with the goods?"

Certainly, Mandelson's departure has been a source of concern to some Labour supporters who saw him as the indispensable linchpin bonding the agency to the party leadership. The surprise resignation in June of his successor as communications director John Underwood will have reinforced such misgivings, although an air of stability now appears to have been restored under David Hill.

Others are worried, despite Neil Kinnock's re-emerging image problem, that the SCA might be perceived as having done its job too well. "Ironically, now the worry is that the presentation is too slick and the policies are too bland," says one volunteer.

This point has not been lost on the Liberal Democrats who have recently taken to portraying their two principal rivals as much of a muchness in policy terms. It remains to be seen whether Labour's recent slippage in the opinion polls is an indication that it has not been lost on the electorate either.

In the new Labour mould: Neil Kinnock, flanked by shadow cabinet colleagues, Gordon Brown (left) and Tony Blair

Retailing

Euroshopper proves an elusive customer

Guy de Jonquières reports that national differences are likely to survive the implications of 1992

Growing public resistance to advertising, fragmentation of the mass media and the persistence of local differences in demand will make pan-European marketing of consumer goods difficult and costly even after 1992, according to a joint report* by the Henley Centre and Research International.

Though the trend towards more pan-European products is likely to continue, the report finds little evidence that a new class of "Euro-consumers" is emerging. The same products will often need to be positioned differently in national markets to reflect local preferences.

The main lesson for suppliers is not that they need pursue wholly separate marketing strategies in each country, but that they should remain closely attuned to local influences and be ready to adapt quickly.

The report, based on a survey of 7,000 consumers in six EC countries – Britain, France, Germany, Italy, the Netherlands and Spain – last spring, is claimed to be the most comprehensive of its kind published. It was funded by 12 large companies, including Guinness, Jaguar, Kodak and Unilever.

Though the survey reveals some attitudes common to consumers in much of the EC – such as declining expectations of what governments can deliver, growing concern with health and rising racist sentiments – it finds their outlook on many issues remains overwhelmingly shaped by national and regional influences. There is no evidence of any widespread convergence around a common European popular culture – other than American films and television - and the idea of a shared European "identity" has limited popular support, even among young people.

Of the six nationalities interviewed, only in the Netherlands and Spain did more people say that, if they had to live abroad, they would choose another EC country rather than the US, Canada or Australia. The preference for these three countries is particularly strong among those aged 16-24.

Support for removal of EC border controls is also patchy, ranging from around 40 per cent in the UK and Italy to 70 per cent or more in Spain and Germany. Only in Germany is it ranked a more important priority than a single currency.

While strong brands remain vital to successful marketing, building them is increasingly complicated by the fragmentation of audiences, shorter product development times and a proliferation of new products which consumers find confusing.

Furthermore, though increased competition is stimulating higher advertising expenditure, consumer apathy is diminishing its effectiveness. Fewer than half of all women said they knew which brands they would buy before visiting a supermarket. At least 80 per cent of those interviewed did not want more commercials on television, while in Britain, Germany and the Netherlands a quarter or less of consumers welcomed direct mail promotions.

Producers are advised to focus their approach by developing more sophisticated databases on target customers, placing more emphasis on in-store advertising and tying marketing to "life cycle events" such as a first job, marriage and buying a first home.

The survey reveals demand for greater choice in retailing. In the UK, for instance, more consumers than in any other EC country said they wanted outlets selling cheaper food. However, only in non-food lines is expansion of retailers across European borders expected to result in greater co-ordination of buying policy, formats and merchandise. An important hurdle to positioning consumer products is the wide divergence between the association of price with quality. The relationship appears weakest in France and strongest in Spain.

Only 5 per cent of French consumers believed that the dearest wine was also of the highest quality, against three quarters of Spaniards. Asked about insurance policies, the responses were 19 per cent and 48 per cent respectively.

Relatively more consumers in France than in any part of the EC except eastern Germany also said they bought products such as washing powder, biscuits and spirits because they were the cheapest available. The tendency to choose the best regardless of price is strongest in Italy.

Perceptions of quality also vary widely, with a widespread assumption among consumers that their own countries' products are best. However, this belief is far weaker among well-travelled consumers. In every country, more of the recent travellers than non-travellers agreed that Germany made the best sausages and cars, and France the best cosmetics.

The report warns, however, against sweeping generalisations. In some cases, the North-South divide is the main influence on consumer attitudes, but in others it can be age, education or income. "The point is that there is no single way of clustering consumers – it depends on what the issue is."

* *Frontiers: planning for consumer change in Europe, Henley Centre, 2-4 Tudor Street, London EC4Y 0AA.*

Correction

Michael Peters

Our article of August 29 on the design industry referred to the fact that Michael Peters had gone into receivership. We have been asked to point out that this was a reference to Michael Peters Group, which went into receivership in 1990, and that Michael Peters Limited, the company formed subsequently, is trading successfully.

Mary Hegarty: an enchantingly pretty and sweet-voiced Laoula

L'Etoile

GRAND THEATRE, LEEDS

Opera North, the liveliest opera company in the land, open their autumn season with the first British professional production of Chabrier's 1877 comic opera *L'Etoile*. It proves an absolute winner: a show of unalloyed delight that for *two-and-a-half hours keeps the audience floating* on a cloud of pure happiness and hilarity. For those who believe that French comic opera is inherently resistent to either translation or cross-border translocation, a trip to Leeds will prove both instructive and wildly enjoyable.

This work has always had its passionate devotees, yet it was not until the early 1980s – when the Opéra de Lyon under John Eliot Gardiner mounted their celebrated production – that its caviar-to-the-general status began to be challenged.

Received opinion used to proclaim that *L'Etoile* was a case of wonderful music – every chord, every phrase, every instrumental colour-application infused with Chabrier's life-giving warmth – ill-matched to a weakly whimsical libretto. The Lyons production brought fresh light to bear on the subject by demonstrating how much daffy Marx-Brothers-style farce could be had from the ribald inconsequentialities of the libretto.

In Leeds, and in entirely different fashion, the fun goes a stage further. It is the great and special achievement of the producer, Phyllida Lloyd, and designer, Anthony Ward, to have devised a show that is at once rootedly English in accent and free from all localised sweetenings and softenings. The fantasy world of King Ouf the First, the court astrologer Siroco, the pedlar Lazuli and the princess Laoula becomes here an animated pop-up picture-book in bold, elegant patterns (black-and-white chessboard floors, Matisse-blue front-cloths dotted with gold stars, cut-out clouds, courtiers in powdered white-face and doll costume).

The style is maintained with absolute strictness, with no quarter given to easy laugh-eliciting, and with tight organisation of lines and formations: the direction of the splendid Opera North chorus is a model of art-concealing artistry. This is, indeed, a production of dazzling but never suffocating expertise, and in the best way the farce is allowed to develop its own gravity-defying logic.

The production team have an invincible ally in Jeremy Sams, whose translation (in common with his ENO *Magic Flute* and Molière *Miser* at the National) boasts a modern-accented nimbleness of rhyme and deftness with a droll *double-entendre that has the audience hugging* itself with pleasure.

And the young British cast play with their roles as though born farceurs. No one on stage is more completely attuned to the style than Kate Flowers as the lady-in-waiting Aloès, mistress of the salaciously raised eyebrow; but the wit and virtuosity of Alan Oke as barmy diplomat, Mark Curtis as private secretary, and John Hall's Siroco as a cross between Rasputin and Richard Briers are wonderful to behold. Anthony Mee as Ouf, though he needs to pace the dialogue with still sharper control, makes a ripe comic virtue out of his meaty Italianate tenor; Mary Hegarty is an enchantingly pretty, sweet-voiced Laoula; and Pamela Helen Stephen, tomboyishly Scots in rakish cap and knee-length shorts, wins every heart in the mezzo trousers-role of Lazuli.

It is Chabrier's music, Provençal in harmonic tang and rhythmic zest, Parisian in economy and smartness of cut, that gives the whole show its "heart". The young Tours-based French conductor Jean-Yves Ossonce – this is his British debut – makes sure that musical values are never slighted even in the moments of zaniest merriment. The pacing is taut, the colours emerging from the pit are as bright as any on stage, and yet the moments of melodic tenderness are allowed full value, lovingly shaped and phrased.

Enough of high-keyed superlatives: this is another Opera North triumph.

Max Loppert

CINEMA

Tap into the old vaudeville routine

LIFE STINKS
Mel Brooks

STEPPING OUT
Lewis Gilbert

TRUST
Hal Hartley

FX2
Richard Franklin

TEEN AGENT
Darren Star

GET BACK
Richard Lester

There are still people in New York who remember the death of vaudeville. Taking wistful swigs from a brown paper bag, they come up to you and ask for two dollars. When you hesitate, they cry expansively, "I lived through the death of vaudeville!"

I am still trying to work out what this means. Does it mean they are so old that they deserve your loose change as a mark of respect? Or does it mean that you will soon be on *a par with vaudeville if you do* not hand over the requisite greenbacks?

I am too young to remember the death of vaudeville, but I saw it re-enacted in two films this week. In *Life Stinks* Mel Brooks staggers through a plot so old it probably remembers the birth of vaudeville. And in *Stepping Out* tap teacher Liza Minnelli gets her evening-class chorines together, including a visibly stressed Julie Walters, for an all-trite-on-the-night charity concert.

I have no idea which of these follies to review first, so I shall toss for it. Heads: so Mel Brooks gets it. One of the few memorable thing about *Life Stinks* is Brooks's head. This Roman orb wired for sound bobs along above the plot about a millionaire property tycoon (Brooks) who wagers that he can survive 90 days in L.A.'s worst slumland sans cash or credit cards. The Brooks head, bobbing on, meets and falls in love with pretty bag-lady Lesley Ann Warren; plans revenge against his cheating co-wagerer: and graces the half-dozen gags that work and the several dozen that do not.

In the first five minutes you think everything will work. The champagne merriment includes a funny floor-cleaning joke, an uproarious phallic joke and several grade-A unfeeling-millionaire jokes. (Brooks's new inner-city development will mean tearing down an old people's home. "So?" he retorts. And ejecting the bedridden and dying. "So?") But when we move to Skid Row, sentimentality comes too and the film starts to busk in adagio style, like a street performer who has learned of a death in the family.

Brooks is a trouper and the movie itself never slackens; in its farewell minutes it conjures a vintage routine between the hero and a vainglorious fellow-tramp. But more comedy and less heartache throughout would have been welcome.

"I auditioned for Bob Fosse once," says someone in *Stepping Out*. "I didn't get the job, but I got to touch his sleeve." This is a film we do not know whether to laugh or cry at. Are director Lewis Gilbert (*Educating Rita*, *Shirley Valentine*) and screenwriter Richard Harris, adapting his own stage play, wearing straight faces as they guides Minnelli's class of amateur tapsters towards the six-hankie finale in which we watch them slay *le tout* Buffalo in a Save The Children charity show?

We fear they are. Only Mel Brooks would have the cruel wit to plonk a widebodied Shelley Winters at the piano – playing a Miss Grump of the ivories – and demand the giggles the sight provokes. Or to licence the titters deserved by a plot that riffles through every character cliché in musical comedy history. There is the shy young bachelor romancing the mousy girl in specs; the nurse who taps for her hospital patients; the snooty housewife who learns to bend the Terpsichorean knee (Julie Walters resembling a drag-act Anna Neagle); and the hard-hitting pro (Minnelli) who just knows her girls are gonna make it.

'Life Stinks': Mel Brooks and pretty bag-lady Lesley Ann Warren

Gilbert directs this farrago with all close-ups blazing. And La Minnelli, planting a dozen 100-watt bulbs inside her pixie face, goes at it with a showbiz élan that makes *Cabaret* look like *Waiting For Godot*. If these two had been in at the death of vaudeville, it would never have died.

*

Hal Hartley's *Trust* is a young man's film. It would not know what vaudeville was if you smote it across the face with a kipper crying "I say, I say, I say." But oddly, its comedy is rather vaudevillian. It does turns. From the moment that Dad keels over from shock on the kitchen floor and never gets up again – his pretty daughter (Adrienne Shelly) is serious about a jobless lout sacked from a computer factory – we laugh at the spotlit oddities and non-sequiturs.

These include a mother who gets the said lout drunk and inserts him in the bed of her older daughter to shock Ms Shelly out of love. A dishevelled, unwashed proletarian father (the lout's) who bangs on about keeping the bathroom clean. Some funny business with a hand grenade. And a shooting style wondrous in its ability to turn suburban furniture and people into abstract-art installations. The first are all gleaming angles and lunging diagonals, the second are shock-eyed icons soaking up the blue-rinse light of a late-summer small town. As in Hartley's last (and first) film *The Ultimate Truth*, the director shows that only a few subtle switches need be thrown for the everyday to be apocalypsed into the comically extraordinary.

Nigel Andrews

Like its predecessor, *FX2* is an engaging, well-made thriller that foregoes macho heroics for good, old-fashioned ingenuity. In it, Bryan Brown reprises his role as an ace special-effects man who helps the New York police solve a tough case. Things go horribly wrong, and Brown is forced once again to team up with the marvellous Brian Dennehy to set them right.

Although the subplot involving stolen Vatican treasures is a bit strained, writer Bill Condon and director Richard Franklin have concocted a film which captures your attention without taking itself too seriously. Brown's character is a refreshing sort of hero, a New Man who refuses to use guns, choosing instead to use robot clowns, diapers and sausage-links as his weapons. It is nice to see a thriller which values intelligence over violence.

A film which seems to place no value at all on intelligence is *Teen Agent*, a misguided attempt to make a James Bond-style film about 17-year-olds. It tells the story of an American high-school student (Richard Grieco), who is mistaken for a spy while visiting France. What follows is a series of stale action sequences, implausible plot lines and jokes which misfire more often than bad guys' Uzis. There is nothing wrong with movies about tongue-tied American teens – it is when a film is made *for* them that you have to be wary.

A rock-and-roll movie sure to be of interest to more than just teens is *Get Back*, a record of Paul McCartney's marathon 1989-90 concert tour. Despite the rousing ballads and stirring crowd shots, this remains a strangely downbeat film. It is not that McCartney doesn't remain a fine singer. Rather, it is Richard Lester's clumsy, hectoring direction which often spoils the film. Not content simply to give us McCartney in performance, Lester illustrates several of the songs with a variety of off-putting images. Thus, "The Long and Winding Road" is interrupted by clips of moon-landings and Vietnam horrors, while "Live and Let Die" is dotted with images of Arab-Israeli violence. And, in the film's most bewildering moment, Martin Luther King's face appears during "Fool on the Hill". It is hard to believe this sort of turgid image-mongering is brought to us by the same director who made *A Hard Day's Night*.

Equally depressing are the constant references to the Beatles. McCartney is clearly within his rights to play Beatles tunes 20 years after the group broke up, though why he'd want film clips of them in their prime imposed over his current solo work is mystifying. It provides a distinctly melancholy air to the whole proceeding – not the sort of buzz you want to get from a concert film.

Stephen Amidon

Dire Straits

WEMBLEY ARENA

It is six years since the biggest selling band of the 1980s went on the road, and now they are back with a vengeance. With a new album *Down Every Street* (Philips) released last week Dire Straits have set out with a nine-piece band on a sell-out world tour that will keep them out of mischief until well into 1993.

The new songs promise well. Both the title track and the current single "Calling Elvis" are beautifully crafted songs, and there are another half dozen equally fine. They suggested that Mark Knopfler *has spent his years away from* the band usefully, producing albums for other singers and having a fling with his old mates in the Notting Hillbillies, and all while stirring new ingredients into his song-making mixture. There are flavours of Randy Newman and JJ Cale, even a hint of Lou Reed and a slimmed down, purposeful sound. Nothing is portentous or indulgent in the dozen tracks on the album, while the addition of a pedal steel guitar to several songs gives Knopfler's own distinctive guitar playing an excellent foil.

Five minutes into the Wembley show most of that promise had evaporated. Dire Straits opened with "Calling Elvis", solid, bass-heavy, yet decently lively until it was time for everyone to introduce themselves: Knopfler's solo unaccountably quoted from "On Broadway", the two keyboard players took off on a little *diversion all their own and the* two drummers exchanged cringe-making riffs; suddenly a perfectly proportioned song had become a ten-minute indulgence. The running order mixed the new numbers with the tried and tested, nearly all of them 50 per cent too long. "Romeo and Juliet" is a beautiful song, one of Knopfler's finest, shows just what he learnt from Dylan's lovesongs and how he was able to personalise it. It simply doesn't need the over-production, complete with graceless saxophone solo, it got here. Even the indestructible "Sultans of Swing" seemed slower than one remembered it, weighed by the thick layered sound.

That it was all so faultlessly fronted only compounded the *disappointment. But as one* number after another was prodded and inflated into a massive sound object, the lights and the smoke machines *went into overdrive and* waves of bass were allowed to echo around the arena, it seemed like nothing so much as a Pink Floyd concert with some decent tunes. Knopfler deserves and owes himself far better than that.

Andrew Clements

Duncan Bell and Janet Suzman

Hippolytos

ALMEIDA THEATRE

Gilbert Murray wrote in the introduction to his own translation of *Hippolytos* in 1902 that the play itself needs little comment or explanation. While that *may* have been true 90 years ago, it is doubtful how far it holds good today. Most people will be more familiar *with Racine's Phèdre. Not* everyone will know that Seneca had a shot at it and called it *Phaedra*, and probably even fewer that Euripides himself *had* at least two goes at it while Sophocles produced a version of his own in between.

The problem seems to have lain with the sex, and how explicit to be. There is also the question, as the changing title suggests, of who is the central character: Hippolytos or Phaidra? Still, one is inclined to agree with Murray that the best thing to do is to play it straight. That means keeping the sex *off*-stage and sticking to the text, Gods and all.

The production at the Almeida is an English version by David Lan. It eschews Murray's rhymed couplets for the vernacular. Where Murray *has* Aphrodite saying of Hippolytos that he "seeks no woman's kiss", Lan substitutes "sex to his mind stinks". There is *nothing necessarily wrong* with that.

Where the production runs into difficulties is in trying to impose a kind of late 20th century feminism that in the end does not fit. If reminders are needed, Hippolytos not only prefers sport to sex: he avoids sex altogether. He is desired by his step-mother, who commits suicide accusing him of having raped her.

Hippolytos, well enough played by Duncan Bell, is not much of a part, just a straight male lead. Phaidra is better and worthy of Janet Suzman, but the trouble is that she kills herself half-way through. That leaves Theseus, the husband and father.

The contradiction here is that Theseus enters as a stock male chauvinist, yet it is he who loses his wife and son and eventually emerges as the hero if only because there is virtually no-one else left. Ian McDiarmid manages this transition with great dignity, but on this reading the play really ought to be renamed *Theseus*. For it is not only the excessively overt feminism that it counter-productive; it is the down-grading of the Gods. The Gods exist in the text; Andrei Serban's production does its *perverse best to pretend that* they are a tiresome sideshow.

None of that is meant to dissuade anyone from going to see it; this *Hippolytos*, however, is *more for the addict than the* random theatre-goer.

Malcolm Rutherford

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Georg Solti conducts the Royal Concertgebouw Orchestra in Le Sacré du Printemps and Shostakovich's First Symphony, also Sat. In the Kleine Zaal, Frank Peter Zimmermann gives a recital of Mozart violin sonatas, accompanied by Alexander Lonquich. Tomorrow: Seiji Ozawa conducts the Saito Kinen Orchestra in Brahms' Second and Third Symphonies. Sat at 14.00: Hans Vonk conducts Wagner and Strauss with the Netherlands Radio Philharmonic (6718 345)

Muziektheater 20.00 Hartmut Haenchen conducts Richard Jones' production of Mazeppa, with a cast led by Sergey Leiferkus, Anatoly Kotscherga, Kevin Conners and Lyubov Sharnina, also Sep 22, 25, 28 and Oct 1. Tomorrow, Sat and next Tues: Nederlands Dans Theater in four works by Jiri Kylian (6255 455/credit card bookings 6211 211)

BARCELONA

Gran Teatre del Liceu 21.00 Tanz-Forum Cologne in Jochen Ulrich's production of Romeo and Juliet, music by Prokofiev. Runs till Sun. Next week: Ballet Victor Ullate.(412 1466)

BERLIN

Staatsoper unter den Linden 19.30 Hans-Martin Schneidt conducts Der Freischütz, with a cast led by Magdalena Hajossyova, Reiner Goldberg, Siegfried Vogel and Fritz Hübner. Tomorrow and Sat: Carl Orff double bill. Sun: Der Rosenkavalier (East Berlin 2004 762)

Deutsche Oper 20.00 Galina Kalinina sings the title role in Madama Butterfly. Sat: ballet evening. Sun at 11.00: Fischer-Dieskau recital. Sun at 19.30 Tosca (West Berlin 3410 249)

Schauspielhaus 20.00 Ferdinand Leitner conducts Karl Amadeus Hartmann's First Symphony, plus Haydn's Symphony No 98 and C major Cello Concerto, with Angelica May. Repeated tomorrow, Sat and Mon (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Ivan Fischer conducts the Berlin Philharmonic Orchestra in Bartok's Village Scenes, Haydn's Symphony No 102 and Karl Amadeus Hartmann's Concerto funebre for violin and string orchestra. Repeated tomorrow, Sat and Sun matinee (West Berlin 2614 383). Sat and Sun in Grosser Sendesaal des SFB: Ashkenazy conducts Dvorak and Prokofiev (West Berlin 254890)

BRUSSELS

Palais des Beaux Arts 20.00 Ronald Zollmann conducts the Belgian National Orchestra in Mozart's overture to Entführung and Piano Concerto No 23 with soloist Alicia de Larrocha, plus Tchaikovsky's Fourth Symphony. Tomorrow: Alexander Rahbari conducts the BRT Phiharmonic Orchestra in music by Laporte, Bartok, Strauss and Ravel. Sun: Giulini conducts the Orchestra of La Scala, Milan (512 8554)

FRANKFURT

Alte Oper 20.00 Semyon Bychkov conducts the Frankfurt Radio Symphony Orchestra in Hugo Wolf's Italian Serenade, Franck's Symphony in D minor and Poulenc's Concerto for two pianos, with the Labeque Sisters, repeated tomorrow. At 20.00 in the Mozart Saal, Hans Werner Henze conducts the Scharoun Ensemble in music by Webern, Mozart and Henze. Sat: Mauricio Kagel programme with the Saarbrücken Radio Symphony Orchestra. Sun and Mon: Oleg Caetani conducts Le Sacré du Printemps (1340 400)

GENEVA

Grand Théâtre 20.00 Christian Thielemann conducts Pierre Strosser's production of Der fliegende Holländer, with a cast led by Jose van Dam, Linda Plech, Ben Heppner and Hans Tschammer. Also Sun (212311)

LONDON

MUSIC AND DANCE

Sadler's Wells 19.30 Moscow City Ballet triple bill. Tomorrow and Sat: Sleeping Beauty (071-278 8916)

Coliseum 19.30 Yan Pascal Tortelier conducts Keith Warner's production of Werther, with Arthur Davies in the title role and Anne-Marie Owens as Charlotte. Tomorrow: Billy Budd. Sat: La bohème (071-836 3161)

Royal Festival Hall 19.30 Andre Previn is conductor and piano soloist with the Royal Philharmonic Orchestra in Haydn's Symphony No 96, Beethoven's Seventh and Mozart's Piano Concerto No 24. Tomorrow: Orchestra of St John's Smith Square. Sat: Previn conducts Brahms' Fourth Symphony and Strauss' Don Quixote (071-928 8800)

Purcell Room 20.00 Lionel Friend conducts the Nash Ensemble in music by Schnittke, Robin Holloway and Schoenberg, with Jill Gomez soprano (071-928 8800)

Barbican 19.45 Michael Tilson Thomas conducts the London Symphony Orchestra in the world premiere of John Taverner's Dance Lament of the Repentant Thief, with clarinet soloist Andrew Marriner. The programme also includes a suite from Bernstein's A Quiet Place and Beethoven's Eroica Symphony (071-638 8891)

THEATRE

● Noh Theatre: Umewaka Kennokai – a Japan Festival production of three plays, repeated tomorrow, with an alternative programme on Sat and Sun (Queen Elizabeth Hall 071-928 8800).

● Brand: Ibsen's early play about death and religious fanaticism, performed in a new translation by Robert David MacDonald. Directed by Roger Williams, with a cast led by Roy Marsden and Kim Thomson (Aldwych 071-836 6404).

● When She Danced: Martin Sherman's play (1985) about the legendary dancer Isadora Duncan and her relationship with the Russian poet Sergey Esenin. Vanessa Redgrave stars in the play's first West End production (Globe 071-494 5065).

● Hedda Gabler: Fiona Shaw heads the cast in the widely-acclaimed Abbey Theatre Dublin production of Ibsen's play, directed by Deborah Warner (Playhouse 071-839 4401).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Leonard Slatkin conducts the New York Philharmonic Orchestra in Haydn's Symphony No 60 and the First Symphonies of Samuel Barber and William Walton. Repeated tomorrow at 14.00, and at 20.00 on Sat and next Tues (875 5030)

New York State Theater 20.00 Scott Bergeson conducts John Copley's NY City Opera production of Le nozze di Figaro, with Elizabeth Hynes as the Countess and William Stone as the Count. Tomorrow: Korngold's Die tote Stadt receives its first New York performance since 1978, with John Absalom as Paul. Frank Corsaro's production is conducted by George Manahan (870 5570)

OFF BROADWAY THEATRE

● Lysistrata: a new version of Aristophanes' comedy, directed by Mark McKenna, poking fun at the battles of the sexes and the stupidity of war (CBGB Gallery, 313 Bowery, 982-4052).

● The Skin of Our Teeth: a revival of Thornton Wilder's play about the indestructability of man, presented by the Jean Cocteau Repertory (Bouwerie Lane Theater, 330 Bowery at Bond St, 677-0060).

● And the World Goes 'Round: a musical revue celebrating 26 years of compositions by Kander and Ebb, authors of Cabaret and New York, New York (Westside Theater, 407 West 43rd St., 307-4100).

● Nunsense is Dan Goggin's musical comedy, now in its sixth year, about five nuns who mount a talent show for what they consider to be a good cause (Douglas Fairbanks Theater, 432 W. 42nd St., 239-4321).

● Ticketron answers inquiries and sells tickets (246-0102)

ZURICH

Tonhalle 19.30 Claus Peter Flor conducts the Tonhalle Orchestra in Mendelssohn's Italian Symphony and Mozart's Impresario overture and Piano Concerto No 21, with Rudolf Buchbinder (201 1580). Sat in Opernhaus: Ralf Weikert conducts Bob Wilson's new production of Lohengrin, with Gösta Winbergh in the title role, Lucia Popp as Elsa, Grace Bumbry as Ortrud and Matti Salminen as König Heinrich. Sun: Mara Zampieri sings Tosca (251 0909)

Schauspielhaus 20.00 The new season opens with Arthur Schnitzler's play The Call of Life (Der Ruf des Lebens), directed by Achim Benning, repeated on Sun. Tomorrow: Thomas Hurlimann's play The Envoy (Der Gesandte). Sat: Exiles by James Joyce (251 1111)

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MONDAY TO FRIDAY

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0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FT/TV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1830, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
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Thursday September 19 1991

Case for two speeds to Emu

THE DUTCH non-paper on economic and monetary union within the European Community – though almost immediately disowned by its presenter, Mr Wim Kok, Holland's finance minister – did more in a few days than months of previous waffle to clarify the path to Emu. With Dr Hans Tietmeyer of the Bundesbank reinforcing the main points in his presentation to the Bundestag yesterday, negotiations have now begun in earnest.

Too many view Emu in narrowly political terms. Some, for example, believe it is the way to bind the newly united Germany into the EC. Others insist that Emu should not separate member states from one another. But nothing could more surely divide Germans from their neighbours than a monetary constitution inferior to the one they now enjoy. As dangerous for the EC's political legitimacy in other countries would be association of Emu with years of slow growth and high unemployment. As has been true throughout the development of the EC, political integration will only follow from economic integration.

That this means an independent central bank committed to price stability is now accepted, even if important differences remain over the role of finance ministers, particularly on exchange rate policy. Yet the Germans have not yet won one of their main flanking requirements: EC control over national fiscal policy. Meanwhile, almost everything to do with the transition remains to be decided, with disagreement focused on two related choices: whether to set deadlines or insist on prior convergence; and whether to move in one convoy to Emu, or at two (or more) speeds.

Plausible case

A plausible case can be made for no more than deadlines. The present ERM may become unstable because it lacks exchange controls. It can also be argued that convergence of inflation will be secured by currency unification and need not be a precondition for it.

Neither argument is convincing. The former is speculative. The latter merely suggests that inflation will converge within a given monetary area; but it need not converge at a low level. Even under a supposedly independent central bank, a monetary policy dedicated to low inflation could be endangered by initial maladjustments and divergent inflationary trends. Can one be confident that members of the board of the European central bank would support a Germanic monetary policy, regardless of what was happening in their own countries?

Sustainable position

The sustainability of each country's fiscal position is also important. One can decree that governments will not be bailed out by the central bank. But it will be difficult to make that rule credible, at least until the first few crises have been successfully navigated. In the meantime, the perceived inflation risk will raise real interest rates. Furthermore, the less credible the "no bail out" rule, the larger the debt a profligate government can accumulate and the more difficult it will be to stick to the rule.

Emu is to be marriage without divorce. Convergent inflation and sustainable fiscal positions would, therefore, not merely be desirable, but would also demonstrate a serious intent. Why should the Germans or the Dutch accept a new currency some of whose prospective managers have never shown a monetary commitment comparable to their own? At the same time, large gaps in incomes per head are no bar to the use of a single currency, provided that it is not an excuse for premature wage equalisation. Thus, Emu need not be an obstacle to EC enlargement, though a two-speed move to Emu might create a more welcoming environment for new members.

If Emu is to occur within the next several years, as some desire, it cannot include all current members of the EC, as the same people tend to want. Whether one calls the result a two-speed move or one-speed with derogations is a distinction with little difference.

Low inflation and sustainable fiscal positions must be the tests. If member countries are upset by the thought of being left out, they have six years to meet the conditions. Like hanging, the prospect should concentrate the mind.

This is the second of a series on the future of the European Community.

Learning more about Japan

IT IS appropriate that the relationship between Britain and Japan, so shaped over the last decade by industry and finance, should be marked by a cultural celebration. For all that they could have in common as island mercantile nations with a post-war fondness for long serving conservative governments, the two have mostly been divided by history and geography. If the Japan Festival helps bridge some gaps in comprehension, so much the better.

This is not the first time that Japan has displayed its great cultural traditions overseas, though it may be the most extensive package yet assembled. For Japan, not normally prone to expose itself so fully to the foreigner, and having learned the pitfalls of imperialism of a different kind, it is particularly intriguing that it should have chosen Britain. The US, where Japanese fences are in need of some repair, might have have been considered a more natural target.

At the time of the Meiji restoration in the 1860s, Britain was the country that Japan most sought to learn from as it emerged from centuries of isolation. Since the last war, the US, as first the occupying power and still protector, was dominant, with Britain increasingly being studied more as an industrial and cultural museum. To the extent that there were worthy European models, they were West Germany, also rebuilding, Switzerland, and, to a degree, Sweden.

EC protection

That Japan has chosen to invest in Britain, with about 30 per cent of all its European manufacturing ventures now here, may be explained by the Japanese need to get round the threat of European Community protection and by Mrs Thatcher's appreciation that Japan could bring a lot to domestic technology and production. But this marriage of convenience is now established beyond its initial purpose. This week Rover, which has already benefited so much from its collaboration with Honda, announced it was seeking radical changes in working practices to ensure competitivity with those Japanese car companies already present in Britain. Two weeks ago, there was vigorous debate in the Trades Union Congress over whether these same practices – in reality Japanised versions of American ideas – were "alien." Regrettably, a motion to this effect passed.

Importing ideas

It is probably more difficult, psychologically, for the British to learn from the Japanese than vice versa. Japan seems to have mastered the knack of importing ideas without feeling threatened, whereas Britain, though not Britain alone, fears some emasculation – hence the reputation of Japan as a threat, not a partner, in US and French political and industrial circles.

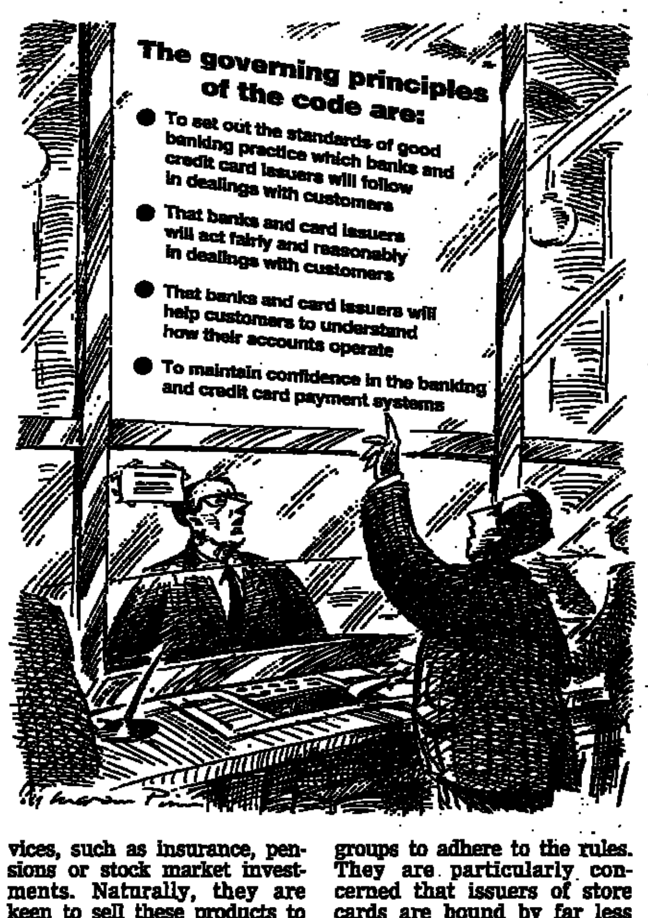
Thus we can admire Japan for its success, but somehow feel the lessons are inapplicable in the whole. Its social cohesiveness can be ascribed to its exceptional homogeneity; its relative subjugation of the rights of the individual is not easy to reconcile with our principles; its treatment of minorities and women might conflict with our laws and customs.

For its part, Japan, with a lot to brag about, does not yet consider itself a confident nation, as its behaviour in the Gulf war showed. It proclaims its internationalisation but is more content as a tribe, protected by an impenetrable tongue. It will surely take at least a generation for foreigners, speaking Japanese, to rise to the top of large Japanese corporations.

However the importance in any relationship, between humans and states, is surely to recognise difference. Japan, notwithstanding this festival and all its other contributions to British life, remains, relatively, culturally reticent. This might even seem admirable when contrasted to the incessant determination of the Americans, the British and French to foist on others cultural, social or indeed commercial values. Japan does not need to be "more like us," or we more like them, for us to know and learn more from each other, especially when, as now, they get it right.

Robert Peston on a UK banking code designed to protect consumers

Banks' bill of rights



For all their claims to be modern retailers of financial services, Britain's banks sometimes seem to have a great resistance to the notion that the customer may occasionally be right. So the enforcement of a banking code of practice, scheduled for the turn of the year, represents a revolution.

The code is intended to guarantee minimum standards of service and to protect customers' rights. It is a voluntary set of rules, drawn up during two years of tortuous negotiations by the banks' and building societies' trade associations – the British Bankers Association and the Building Societies' Association.

In traditional banking theology, the branch manager is infallible. It was, therefore, a naïve hope that banks would find it easy to formulate a bill of rights for their customers. A first version, published a year ago, did little more than codify existing bank practices.

It was savaged by consumer groups, who complained that it legitimised banks' high-handed approach to charging their customers, to settling disputes with them and to marketing new products. Even the Bank of England was disappointed. The government insisted that the banks rethink it, on pain of seeing their voluntary code ousted by legislation.

The banks could scarcely have imagined a more terrible threat. So, after another year of bickering between themselves, they have come up with a revised version.

In one respect they have undoubtedly learned their lesson. They are sounding out the Bank of England, the Treasury, the Banking Ombudsman and consumer groups in private, before publishing the new code, in the hope of avoiding the shame of having to withdraw it a second time. When their views have been gathered, a committee headed by Sir George Blunden, a former deputy governor of the Bank of England, will decide whether to give it the final blessing.

Though the banks are keen to keep it under wraps, the Financial Times has obtained a copy. The most obvious reform is that it is written in simpler language. The 23 clauses of the original have been condensed to 20 and they will be comprehensible to most consumers.

Only a handful of the original clauses have escaped revision, though many of the changes are superficial. However, the banks have conceded most of the consumer groups' demands relating to charges, with one important exception.

Most complaints about the first version were that it did little to prevent the banks from abusing their power in three main areas:

● the commercial exploitation of financial information given by customers in confidence;

● disputes with customers over the alleged misuse of a plastic card;

● the levying of bank charges.

Banks would never dream of disclosing financial information on their customers to a competitor. But they are not quite so scrupulous about withholding details of clients' financial affairs and names and addresses from their own subsidiary companies.

The reason is that they have invested hundreds of millions of pounds in businesses selling non-banking products and services, such as insurance, pensions or stock market investments. Naturally, they are keen to sell these products to their branch customers, a process known as cross-selling.

But many customers are just as concerned about their account details being passed to a company within the bank's own group as to an outside business. Reluctantly, banks have conceded that they will not pass on such information "to other companies in the same group, in the absence of express consent".

There are two other changes to marketing practices which will be welcome to many consumers, tired with the junk mail they receive. Banks will give new customers the opportunity, at the time they open their accounts, to give instructions that they do not wish to receive marketing material through the post. Banks will also remind customers from time to time, and at least once every five years, of their right to stop banks from sending the marketing material.

Other reforms are in the section dealing with plastic cards, which covers credit cards, cash machine cards, debit cards and store cards. It was drafted reluctantly by banks, which are concerned that issuers of store cards will not conform to it. A couple of banks are muttering the heresy that in this area they might like to see legislation, to force the store groups to adhere to the rules. They are particularly concerned that issuers of store cards are bound by far less stringent rules on the confidentiality of customer details.

Banks have agreed to bear all losses in cases where a card has been misused but has not been received by the customer. To avoid these losses, the card issuer will also have to demonstrate that an allegedly misused card has been received by a customer.

This transference of the burden of proving the case from customer to card issuer is perhaps the most important reform in the new version of the code, since few consumers can afford to take on the banks in a long legal dispute. (At the moment, a card holder has to prove that he is not guilty of fraud to avoid losses on a disputed transaction.) It applies to those occasions when a customer complains that funds have been withdrawn from an account, but cannot recollect using the plastic card.

According to the first draft, customers would have been liable for all losses unless they could prove they had not "acted fraudulently or negligently". In the new version, the card issuer carries the losses unless it can provide proof of fraud or "gross negligence", rather than just "negligence".

Indeed, some banks are alarmed that this shifting of the burden of proof goes far too far. They fear that users of cash machines will exploit the change to challenge legitimate debits from their accounts. One bank is considering putting a hidden camera behind its electronic cash machines.

Consumer groups, such as the National Consumer Council and the Consumers' Association, are still likely to express one serious reservation about the plastic card clauses. They will complain that customers should be able to insist on being able to receive a single function card, such as a cheque guarantee card, rather than the multi-function cards, combining the characteristics of guarantee cards, debit cards and cash machine cards, which banks have been issuing in the past few years. Consumer groups are acting as defenders of those who see debit and cash cards as the devil's currency, a sore temptation to over-spending.

But the consumer lobby's main criticism will be reserved for the issue of charges. Banks are rarely more irksome to customers than when they debit charges from an account without explaining why. The common complaint is that no other retailer is permitted to lift money from a consumer's pocket without explanation.

Consumer groups have suggested that banks should notify customers in advance of deducting the charges, so that the customers can satisfy themselves that the charges are appropriate.

However the banks have refused to make this change. They claim it would cost them £100m to make the necessary changes to their computer systems and another £50m every year in overheads.

There is a concession on charges. They are abandoning the unpopular practice of levying charges on charges. Customers have frequently found themselves paying charges for two successive billing periods, because the charges they were forced to pay in the first period have put them into the red briefly for the second period.

The new code resorts on this occasion to the obscurantism of Groucho Marx's "party of the first party" skit. It says that "banks will now disregard the charges to be applied to customers' accounts for any charging period if those charges were incurred solely as a result of the application of charges for the previous charging period".

The banks and building societies face a nervous few weeks. The BBA and the BSA are holding meetings with government officials and lobby groups to persuade them to back the code and this is proving a slower process than the banks hoped. They planned to publish the code in October, with a view to implementing it early in the new year. But fixing meetings with the consumer groups has not been easy, so publication will now not be until November at the earliest.

None the less the response of most consumer groups so far has not been hostile. They recognise that banks have made concessions and they take comfort from a promise by the banks that the code will be reviewed every three years.

If pushed, the banks will even acknowledge that their first draft was a serious mistake – quite an admission for the infallible bank manager.

BOOK REVIEW

A crisis put in perspective

REMAKING THE BALKANS
By Christopher Cviic
Pinter Publishers/RIIA
113 pages, £22.50/£8.95

Full marks to the Royal Institute of International Affairs for producing what many people must be wanting this week: a short, readable book setting the Yugoslav crisis in its historical and regional context.

The author covered eastern Europe for The Economist for 21 years, ending last year, and now edits the RIIA's monthly, The World Today. Like many such specialists he hails from the area he writes about, though he has lived in Britain since 1954. He describes himself in the introduction as "a Croat from Yugoslavia".

Time was when the first half of that label might have struck us as a baroque detail. Now the second half is almost a political concession. Serbs and Serbophiles will scan the book for signs of bias, and will no doubt find them. Mr Cviic sees the determination of the Serbs to reassert their dominance in Yugoslavia after Tito's death as the primary factor leading to the collapse of the federation. He summarises Serb grievances about the previous state of affairs and shows how they were exploited by Mr Slobodan Milosevic in his rise to power; but it is clear that he has more sympathy for the fears and complaints of the non-Serbs.

He refers to "the Croatian Serbs' vehement rejection of a more independent status for Croatia within a Yugoslav confederation, let alone full independence" and attributes it, no doubt accurately, both to fears of "what could befall the Serbs under another Croat regime" (given the appalling record of the wartime fascist Croat state) and to "the not unjustified expectation of loss of privileges, subsidies and other benefits that the communist regime gave Croat Serbs". But he does not find space to consider whether the new regime in Croatia did all that it could have done to allay these fears, or whether it was wise to ignore this Achilles heel when pushing ahead with its nationalist programme.

He even alludes at one point to "the very real conflict of political and economic interests between the more pluralist, western-oriented and pro-market Croatia and Slovenia on one side and the authoritarian, anti-western and anti-market Serbia on the other". Would it not be fairer to say that Serbia's communists, led by Mr Milosevic, were more successful than Croatia's in pre-empting the nationalist card and thus have so far held on to power; but that both republics have elected nationalist governments which, whatever their rhetoric, show less than total respect for either political or economic pluralism in practice? (Slovenia is more genuinely pluralist, though that is due as much to its president, a former communist, as to its nationalist government.)

Those are valid points, but the book would not necessarily be more dispassionate if written by a pure-blooded Englishman, nor more valuable if Mr Cviic had completely suppressed his personal feelings. It is certainly very informative, especially about the complex interacting national grievances caused by the events of the second world war, and the way these affected the behaviour and popularity of the different communist parties. I had not realised before, for instance, to what an extent Tito had turned Albania into a Yugoslav satellite before 1948. Much of the "Stalinism" which characterised subsequent Albanian policies under Enver Hoxha was evidently rooted in a determination to avoid ever again falling under Yugoslav domination.

"Remaking the Balkans" is clearly not going to be easy. Their political and economic prospects, Mr Cviic suggests (writing in July), "though perhaps not as bleak as those facing the Soviet Union, are certainly bleaker than those for ex-communist central Europe". On the whole he thinks it a good thing that they are no longer controlled by external spheres of influence, but he warns the west against opting for a policy of benign neglect.

The region, he thinks, will gradually sort itself into two main groupings: a western, Roman Catholic, ex-Habsburg one linking Bosnia, Croatia and Slovenia to their northern neighbours, and an orthodox Balkan one comprising Bulgaria, Greece, Montenegro, Romania and Serbia "with Macedonia in the middle as an independent state or perhaps, ultimately, a part of Bulgaria". This sounds like wishful thinking, especially when he adds that the latter grouping "could perhaps provide a framework for a gradual solution – or at least for a defusing – of the explosive Kosovo issue that divides Serbia and Albania". It is very hard to see Serbia accepting this, or indeed allowing Bosnia and Croatia to carry off their Serb minorities into some Habsburg nirvana, unless in the aftermath of a decisive military defeat.

Mr Cviic concludes on a hopeful note, asserting that acquisition of territory is no longer "the consuming preoccupation it once was" and that leaders and peoples are both coming to understand that "good economic performance is what makes states strong and stable". But he admits, in an uncomfortable euphemism, that "Yugoslavia's acceptance of that principle must await the resolution of the current messy but necessary reordering process".

Edward Mortimer

OBSERVER

Tough softie

■ Georgian president Zviad Gamsakhurdia has struggled all his life. A dissident in the bad old days of Soviet rule, he is now fighting to defend his presidency – from attacks he has brought upon himself.

Even before he was elected chairman of the Georgian parliament last year, his critics suspected him of authoritarian tendencies. But then he and all his rivals were busy calling each other liars and traitors.

When Observer joined him for a drive in his black Volga limousine last year, Gamsakhurdia was asked about critics' claims that he would prove a dictator. He widened his eyes and said in a hurt tone:

"Me? I'm too soft to be a dictator."

But since then there are clear signs that he may be prone to dictatorial behaviour. His most visible achievement, since he came to power on a wave of promises to lead Georgia to independence, has been to acquire two black bullet-proof Mercedes limousines. The one he rides in (word has it the other is for his wife) has the republic's first and possibly only non-Soviet licence plate: GR00009A.

His former prime minister, Tengiz Sigua, alleges the cars were paid for out of the $500,000 earned by the Georgian branch of Aeroflot. Sigua, who ordered Aeroflot not to hand the money over to the Civil Aviation Ministry in Moscow, is now in hiding with the rebel national guard, fleeing an arrest warrant.

His fears are proving well-founded, since Gamsakhurdia on Monday ordered the arrest of another top opposition leader, Georgy Chanturia, who was leading a campaign to remove him from office.

While Gamsakhurdia may have a genuine passion against all things Communist and Soviet, he nevertheless now seems to be enraptured by some strange mannerisms, which for many are painfully and sadly reminiscent of a previous era.

Mind Games

■ Meanwhile, rousing Russian folk songs capped by Rachmaninov seem an unusual way to open a press conference. But as Vladimir Zhirinovsky, head of the Soviet Liberal Democratic party, said in Moscow, these are strange times.

"The weather is gloomy, the politics are gloomy," he explained. "So for about 30 minutes I want you to get into a proper mood so you'll feel the spirit of my party". Cue 25-piece orchestra and lavishly costumed singers.

Most uplifting, if somewhat chilling. Zhirinovsky, who won 9 per cent of the vote in the recent Russian presidential elections, claims to be impeccably democratic.

Nevertheless, if the SLD were to displace Boris Yeltsin and takes government, Zhirinovsky says there would be three years of Pinochet-style rule to restore order in the anarchy he accuses Yeltsin of having caused. He promises to return "natural Russia" to its September 1917 borders – there is no such place as Estonia, Moldova or Khazakhstan, he says.

He also believes that a third of all humans are insane. "It is the same for our party, regrettably; there are those who are not sane."

Hame from home

■ Only five months after arriving as Japan's consul-general in Edinburgh Seiichiro Otsuka is in danger of going native. He has fished on the Tay and the Don, reads Isaak Walton's Compleat Angler in English before going to sleep and has played many of the best golf links north of the border.

He has a genuinely friendly smile, and makes jokes. "I tell people my golf handicap is three. They look impressed and perhaps a little surprised. Then I say: 'Plus VAT.'" (His real handicap is 20.)

This weekend Ichi – as Scots friends call him – is escorting Crown Prince Naruhito round some of the Scottish events in the Japan festival. It's to be hoped they are authentically Caledonian.

When Otsuka took some Japanese to a so-called traditional Scottish evening in an Edinburgh hotel, he complained that one verse of Burns's poem Address to the Haggis, written in Scots, had been left out. He then recited the missing quatrain from memory.

"Once this is over we can fight about joining the ERM."

Health cheque

■ Private shareholders in Community Hospitals Group, which runs private hospitals and nursing homes, will soon have access to the sort of information about the company's expected profits that most businesses reserve for analysts.

Following in the footsteps of NFC, the transport group which used to be headed by its chairman Sir Peter Thompson, CHG will give a "best view" of its expected annual pre-tax profit with its interim results. As these come out in March, the statement will be made with more than three months of the year to run.

CHG clearly hopes that by giving its 2,850 private shareholders similar information to the 150 institutional holders served by analysts' notes it might be regarded as more "user-friendly".

CHG has been egged on by one of its non-executive directors, Ian McCutcheon, of the Institute of Chartered Accountants of Scotland, which has preached the virtues of giving investors more information in a document called "Making Corporate Reports Valuable".

Low Fat

■ Romanians are rather choosy about cheese. In July Bucharest asked the EC for food aid; in particular a batch of feta cheese, a soft, salty white concoction made from sheep's milk.

But the cupboard was bare. Brussels could offer only a selection of six hard cheeses.

Not good enough; the Romanian government refused to bite. Somewhat oddly, Denmark – as opposed to the more well-known land of feta, Greece – is likely to come to the rescue with a supply of cow's milk feta, worth $7.68m. A spartan diet, in any case.

Word Play

■ Chambers has just published a slim volume *Making Sense of English Usage*: on page 69 it states: "The *-ing* form used as a noun or gerund, as it is known in traditional grammer (*sic*) is illustrated..." There is no entry under Glasshouses.

ECONOMIC VIEWPOINT

From the UK polls to performance

By Samuel Brittan

The facile view that elections are largely determined by "the economy" *is almost certainly* wrong. What is generally meant is that voters are largely influenced by short-term cyclical changes in variables such as prices, unemployment, or interest rates. This economic determinism is all too often coupled with the belief that the government should cynically manipulate both the election date and its economic policy to take advantage of voters' gullibility.

Such reasoning too easily assumes that too many of the people can be *fooled too much of the time. If the* economy is artificially stimulated before elections and the brakes are put on afterwards, people will eventually sense they have been taken for a ride. One does not have to be a fully-fledged believer in "rational expectations" to see the folly of counting on voters never learning from events.

Suspicion about economic models of voting is reinforced by the frequency with which the supposedly key variable changes. In the 1960s it was *meant to* be *unemployment*, with changes of a few decimal points swinging elections from government to opposition and back. The relationship collapsed when unemployment rates started to take off in the late 1960s and to soar in the 1970s. Political economists then tried out real disposable income, with mixed results. In recent years the favourite variable has been mortgage rates, which will also not bear the weight that has been put upon them.

These musings received striking support in an investigation published by David Walton of Goldman Sachs on July 10. His preliminary caution is *that we have only the vaguest ideas of* the correct answer to the pollsters' question: "What would happen if an election were held today?" The estimates of government support in the opinion polls are subject to a margin of error of about 4 percentage points on either *side – the difference under* the curious British electoral system between a clear Conservative victory and a *bad defeat*.

Another complication is that most economic models only attempt to explain the government's showing versus the main opposition parties. Yet the election outcome could depend on the Liberal Democrats.

Even taking the polls at face value, Walton argues that the conventional economic variables explain only a *small fraction of fluctuations in gov*ernment popularity. He finds that there is a very large inertia: the main influence on the poll rating in one quarter is that recorded in the previous quarter.

This could be open to the objection that economic factors could still be the key ones, but operating with a lag. In fact, however, non-economic *shocks can be critical, and cannot be* forecast in advance. Walton cites the Falklands factor before the 1983 elections, and the winter of discontent before the 1979 one.

Indeed, he has himself provided a dramatic illustration of his own thesis. For the Goldman Sachs model suggested in July very little increase in Conservative support, as any improvement from declining interest rates would be offset by rising unemployment. The last few weeks has demonstrated Walton's thesis that "such projections are worth very little". For since he wrote, John Major's international exposure, following the crises in the former Soviet Union, has *overturned the model predictions.*

* * *

So instead of speculating further on short-term changes, it might be worth looking at the underlying economic performance since the Thatcher government came to office in 1979.

To make meaningful comparisons it is essential to take *cyclically comparable* periods. The best period to take has been between the peak of the earlier business cycle in 1979 and the peak of the last one in 1988 or 1989. The trend during this long cycle has then been compared with the cycles *that preceded it*.

The conclusion has been that the growth gap between Britain and its main continental European competitors has indeed been closed, but mainly through a slowdown in Continental performance. Britain's own growth performance was better in the 1980s than in the post-1973 cycle of mostly Labour government that succeeded *the first oil-price explosion.* But it was not as good as performance in the preceding cycles of 1964-1973 under both Labour and Heathite Tory government. British performance in the most recent cycle has also been comparable with that of the US, if allowance is made for differences in population movements. The gap with *Japan has narrowed, but never been* remotely closed.

The conventional economic variables explain only a small fraction of fluctuations in government popularity

The peak of the last economic cycle is now, however, some way behind us. Is it possible to retain the same, even highly-qualified, optimism after the rise in inflation at the end of the 1980s and the steep recession of 1990-91?

On inflation there are grounds for optimism. One reason why I have abandoned the Teenagers' Guide to the Retail Prices Index (although not I fear to the trade figures) is that the normal comparisons of "underlying" year-on-year inflation understate the improvement of recent months and that headline rate happens by a temporary fluke to be a better guide.

On present trends, underlying infla*tion will be back next year to the 3-4* per cent range last seen in 1986, but without the large drop in oil prices which took place then. This time there will be a good chance of locking in the lower rates through the ERM membership which Mrs Thatcher vetoed last time round.

What, however, has happened to the real economy? Has the recession *had a lasting impact on performance?* The only way of providing even a tentative answer is to compare not high, but low, points in the cycle. This has been done in the first table, kindly prepared by Anthony Garrett of the London Business School.

There are obvious limitations. For 1991 we have had to rely on the LBS forecast rather than actual data. We have also had to assume that 1991 represents the bottom of the cycle. While cyclical peaks are usually clear-cut, the dating of the trough is more controversial, as output tends to rise only slowly in the early stages after a recession. Moreover, productivity has been very much worse in 1991, *at least as officially measured, than it* is likely to be in 1992 because of the lag in adjusting jobs to output.

Due to European slowdown, the growth gap between Britain and *continental Europe has* again almost vanished

But having made all these qualifications, the main impression from looking at the trend from the bottom of the 1981 recession to that of 1991 is fairly similar to that obtained from peak to peak comparisons. The growth gap in output per worker between Britain and continental Europe has again almost vanished, but due to the European slowdown rather than any British acceleration. Britain looks on this measure to have exceeded US growth in output per worker since the early 1970s, but continues to lag behind Japan, although *by smaller amounts.*

The really bad performance has been neither in growth nor inflation, but in unemployment. British experience has been no worse than that of the European Community as a whole, but the EC has done less well than the US, Japan or the countries of the European Free Trade Association – its unionised, but uncentralised, wage *bargaining giving it the least* attractive of all worlds.

* * *

My own reaction after long peering at growth tables is that it would be good to get away from gazing at rates of change and look instead at the actual *levels* of output that ultimately determine living standards. These are much more difficult to estimate. But the ones in the second table are as good as any available, being based on data from the Organisation for Economic Co-operation and Development, compared at purchasing power parity exchange rates.

The first and perhaps most reliable column of gross domestic product per head is the most reassuring. Britain emerges as slightly worse off than France and Germany, slightly better off than Italy and modestly worse off than Japan. The big surprise is how much the US remains ahead despite all the years of "miracle" growth in Europe and Japan.

The second column of GDP per worker suggests that there is more cause for worry. For the very reasonable levels of British output are only achieved by having a larger proportion of the population at work. One favourable surprise is that British productivity still seems marginally higher than Japan's, so long as the *whole economy rather than just man*ufacturing is taken into account.

An alarmist would have to concentrate on manufacturing, shown in the last column. Here British output per worker is well below not only that of Japan, but France, Germany and Italy as well. Thus, despite the productivity spurt in the Thatcher years, there is much further to go.

The big surprise in the final column however lies in how far ahead US manufacturing productivity is, despite the doom-warnings of US advocates of a so-called industrial policy. The US has a smaller proportion of its labour force in manufacturing than most other countries, but obtains a very high output from it.

There are some puzzling fractures *in the table, such as the apparently* large lead of France over Germany, which may be partly explained by the short German working week. But if we look at whole economies rather than just manufacturing, there is not all that much difference between the performance of one European country and another; and I doubt whether this is a statistical illusion.

Comparative performance

Annual growth rate of real GDP per worker

	UK	OECD Europe	US	Japan
1967-72	3.2	4.2	1.2	8.4
1972-75	1.1	1.9	-0.4	2.4
1975-81	1.9	2.4	0.5	3.6
1981-91	*1.6*	*1.7*	*1.1*	3.0

Output in 1989 (UK=100)

	GDP per head	GDP per worker	Manufacturing net output per worker
UK	100	100	100
Italy	97	122	149
France	*102*	*120*	*159*
Germany	104	115	127
Japan	108	97	139
US	144	134	204

Source: OECD, Anthony Garrett, London Business School

Classics for the cost-conscious

Alice Rawsthorn on the revival of the Everyman book imprint

For decades the Everyman Library of literary classics – motto: "Everyman, I will go with thee, *and be thy guide. In thy most* need to go by thy side" – was a fixture on the British bookshelf.

Its fortunes faded in recent years. Now they are being revived by Mr David Campbell, a book publisher, and Mr Mark Bicknell, a banker, who hope to restore the library to its former glory.

This month new editions of 48 novels – from Jane Austen's Pride and Prejudice to Emile Zola's Germinal – will be published. Another 80 titles will appear next year and at least 50 books a year after that.

Everyman was founded in *1906* by *Joseph Dent, a master* book binder, whose declared aim was to produce 1,000 cheap, pocket-sized volumes of classic literature for "every kind of reader; the worker, the student, the cultured man, the child, the man and the woman".

For many of its readers, Everyman offered the only opportunity to buy classics. By the late 1980s the library encompassed more than 1,200 titles and had sold more than 60m hardback books altogether.

But the introduction of the paperback in the 1930s dealt a devastating blow to publishers of hardback fiction. Everyman had introduced its own paperback imprint, but not until 1960. By then Penguin paperbacks were selling classics at even lower prices than Everyman.

In the late 1980s the Dent publishing empire was sold to Weidenfeld & Nicholson, a leading London publisher. Mr Campbell, who had been working for Hachette, the French publishing group, and Mr Bicknell, a banker with Grindlays in Paris, began negotiations to buy Everyman from *Weidenfeld. They raised £1m* from a venture capital company in the City to fund its acquisition and the relaunch.

Mr Campbell is convinced there is a gap in the market for a hardback version of the classics, "the books one wants to keep all through one's life". He sees the new Everyman as an English version of La Pléiade, the collection of literary classics published by Gallimard in France.

The choice of titles for the first set of books, which comes out next Thursday, is *deliberately conservative.* All are standard works by recognised writers, such as George Eliot's Middlemarch and Stendhal's Scarlet and Black.

Each new book is bound in cloth and honours the Everyman tradition of using different colours to denote each century: green for the 18th, *maroon for the 19th and so on.* It also observes the old Everyman ethos of low prices. All the titles will sell for less than £10 in the UK and under $20 in the US, apart from Don Quixote, which weighs in at 1,088 *pages and will cost £11.99.*

Everyman is one of the new breed of publishers, which retains responsibility for the editing and production of its books, but hands sales and distribution over to a larger group, in *this case* Random House, the New York-based publishing giant which owns Alfred Knopf in the US and Random Century in the UK.

This helps Everyman, which is based in London's Soho, to keep its costs to a minimum. It has pre-sold half the 10,000 print run of each book to *Knopf. Mr Bicknell said it had* also received a "tremendous response" from shops in the UK, including the large chains such as W H Smith, and was on course to break even by the end of next year.

The new owners seem unabashed about the challenge of launching a new publishing *house when both the* US and UK book markets are depressed. Book sales in the UK so far this year are believed to be 10 per cent down on 1990. The owners argue that the classics have been unaffected by recession. Indeed both Penguin and Oxford University Press say *their sales of classic novels* have been relatively resilient.

"We are living in a world where book publishers are getting bigger and bigger," said Mr Campbell. "But there is still room for companies like this with five people in panelled rooms above a sex shop in Soho."

LETTERS

Withering on a bookish vine

From Mr Peter Curwen.

Sir, According to Peter Bell (Letters, September 16) "many independent reports and government inquiries have confirmed the widely-held view that...the net book agreement is in the public interest". This *is a touch economical with the* truth. As reported in the FT on June 3, for example, a major independent study of the NBA, written in good part by myself, came to quite different conclusions to those cited by Mr Bell about the probable outcome were the NBA to be abolished.

If publishing houses such as *Reed go on to a non-net basis* for pricing, as they are permitted to do without infringing the agreement, the NBA will wither on the vine as Pentos and other bookshops discount these books to the consumers' advantage. It *is* interesting that Mr Maher is expected to emerge from his assault upon the NBA much worse off than at present. Can he really have so little business acumen? I doubt it.

Peter Curwen,
reader in business policy,
Sheffield Business School,
Pond Street, Sheffield

Limits on freight cannot be blamed on capacity of Channel tunnel

From Sir Alastair Morton.

Sir, On September 12, your Lombard columnist reported on the positive evolution of west-east transportation links in northern England, from Mersey to Humber to northwest Europe and back. He called for a second M62, perhaps a toll road: other lobbyists are reminding us of the potential for resuscitation of a dedicated west-east rail-freight link via the Woodhead tunnel.

All good stuff, which makes it unnecessary for your columnist to support his thesis by alleging the Channel tunnel "has only limited freight capacity" after 1998. Says who?

It's not true: the questions are (1) whether BR can get its act and its funding together to capture potential freight business and deliver it through London to the tunnel, and (2) whether even the doubled Dartford crossing will enable the M2 to *facilitate* the mass of road freight heading for the short-sea crossing (tunnel and ferry) from north and west of London. The tunnel will have the capacity, supplemented by the ferries for road freight: it is the British approaches to *it* that will be the problem.

Ill-equipped railway and road links to our eastern and south-eastern ports, including the Channel tunnel, are a grave *threat to the future of Great* Britain – a barely competitive economy on the periphery of the great future market that is Europe – from Liverpool to Leningrad, Bristol to Budapest, Newcastle to Naples. As the National Economic Development Council reported recently, trade with the rest of Europe has already *risen* to about 70 per cent of our total trade or close to 30 per cent of our GDP.

The Treasury's incomprehension of infrastructure investment first as *investment* and second as something best achieved by *partnership* of public and private *capital* is moving *ahead decisively, from a* disgrace to a scandal.

We must build as an investment in an inevitable European future, replacing that mourned imperial past for which the Victorians equipped *us. We must do it* NOW, we are already late! It takes seven years to build a Channel tunnel (or even 70 miles of British railway line): the trade map of Europe changed in seven weeks or less not long ago.

Sir Alastair Morton,
chief executive,
Eurotunnel,
111 Buckingham Palace Road,
London SW1W 0ST

Laying blame for turmoil

From Prof Patrick Minford.

Sir, There are so many inaccuracies in Samuel Brittan's article about the Institute of Economic Affairs ("Calming a *storm in a free-market tea* cup", September 16) that I suggest he abandon forthwith his role as reporter and return to writing columns where his opinions, however fallacious, at least do not masquerade as facts. His innuendos about Lord Harris and Arthur Seldon are intolerable; under their *direction the IEA never risked* falling into its present turmoil.

Brittan's lengthy account of the origins of the letter by the "Liverpool Six" is absurd. The "shadow monetary policy committee" did not fail to agree on *letters; it published several* letters or reports. It had nothing to do with the letter the six *of us wrote to The Times; our* decision to write it was a personal one, a reaction to our perception (subsequently vindicated) that the recession was being severely exacerbated by a monetary policy dominated *by exchange rate considerations.*

Brittan's perhaps well-intended attempt to trivialise serious criticisms of the way the IEA has recently been directed is misguided and *counter-productive.*

Patrick Minford,
Department of Economics and Accounting,
University of Liverpool.

On a fast track

From Mr J D C A Prideaux.

Sir, Observer's acerbic comments on our new advertising campaign ("False Economy", September 13) are misplaced. Clearly he does not wish to know anything which does not accord with his wretched view of the world.

The basis of our advertising claim (InterCity runs more trains at over 100 mph than any other country in Europe) is well founded. 100 mph, or 160 kph, is not an arbitrary cut-off which "happens to favour BR". It is the definition of high speed chosen by the European Community of Railways (representing 14 European railway organisations).

The advertisement does not insinuate that Britain has Europe's fastest trains. I have no desire to represent InterCity as the best or fastest but I do think it right that our achievements are recognised.

Mr J D C A Prideaux,
InterCity,
British Railways Board,
Euston House,
24 Eversholt Street,
London NW1 1DZ

The objective view of inflation

From Mr Michael Greener.

Sir, It was refreshing to read Professor D R Myddelton's plea (Letters, September 11) that the accountancy profession should adopt constant purchasing *power (CPP) accounting* as the only clear and objective method of recognising inflation in published accounts.

Once an appropriate index has been accepted published figures will revert to being observable facts rather than the mish-mash of devious opinion encouraged by the abortive experiment with current cost accounting.

If the assets of quoted companies were now to *be* restated in terms of CPP two points would become immediately *apparent. First, that the major*ity of large public companies have failed, by dint of outdated modes of accounting, to maintain subscribed capital intact.

Second, that, over the past 40 years this failure, by exaggerating profits, has led to dividends being paid out of capital, contrary to Section 263 of the 1985 *Companies Act.*

That directors may not have been aware of this is understandable but irrelevant.

Perhaps the unhappy state of British industry today is the responsibility not of management or of labour but of the accountancy profession.

Michael Greener,
33 Glan Hafren,
The Knap,
Barry,
South Glamorgan.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

No incentive

From Ms Katrin Kohl.

Sir, This year, apparently more than 100 applicants with *a first-class honours degree* or MA with distinction have failed to obtain a research *grant from the British Acad*emy. One of my students, with a first-class degree in modern languages from Oxford University, had applied to do research in German but was placed so low in the order of merit that she received no grant and is not on a waiting list. Such figures discourage even the most able students from considering research. At postgraduate level there would appear to be little basis for the government's avowed commitment to education and claim to reward merit and achievement.

Katrin Kohl,
Fellow in German,
Jesus College, Oxford

FINANCIAL TIMES
Thursday September 19 1991

Government pledges sharp slowdown in spending and cut in deficit

France adopts draft budget for 1992

By Ian Davidson in Paris

THE French government yesterday adopted a draft budget for 1992 which promises a sharp slowdown in government spending in real terms and a reduction in the level of the deficit compared with the out-turn for 1991.

The government said the French economy was poised to emerge from recession in the latter months of this year and gave notice of its intention to tighten its anti-inflation policy further.

Mrs Edith Cresson, the prime minister, described it as a "healthy" budget which would help consolidate the process of "competitive disinflation". But she insisted on her continued intention to strengthen the government's industrial policy and its efforts to create new employment.

Mr Jack Lang, the government spokesman, said it could be proud of having "won the battle of money and prices", and predicted that a "moderate" economic recovery would start to take hold in the second half of this year.

The moderate recovery forecast by the government should take the economic growth rate to 2.2 per cent next year, compared with this year's expected out-turn of only 1.4 per cent.

Total government expenditure is scheduled to rise next year to FFr1,330bn ($225.4bn). This will be a nominal increase of 3.1 per cent on this year's spending, scarcely more than the predicted rate of inflation, which the government expects to remain steady at the current rate of 2.8 per cent.

The deficit of FFr89bn allowed for in the 1992 draft budget breaks the steady downward trend which the government has pursued during the past three years, largely because its calculations for 1991 were thrown sharply out of gear by the unexpected steepness of the downturn which started late last year.

The 1991 budget deficit was to have been reduced from FFr90bn to FFr80bn but the shortfall in tax revenues will swell this year's expected deficit to around FFr100bn.

Nevertheless, the government stresses that the French budget deficit scheduled for next year, at only 1.26 per cent of gross domestic product, is significantly less than the forecast German budget deficit of 3.1 per cent of GDP.

It also boasts that the French inflation rate is now significantly below that of most of France's main economic partners, apart from Japan and Denmark, and claims that the economy is well placed to take maximum advantage of the expected recovery.

The government's budget statement identifies the high level of unemployment as one of the black spots in the economy, and a top priority for remedial action. It focuses particularly on the high cost of employment, through the minimum salary and social security costs, as an important factor behind the particularly high rate of unemployment of the young, twice the national average. Explicitly, the government suggests that it would be desirable to reduce these social security charges on young employees; implicitly, the government seems to be criticising the existence of the SMIC (minimum wage) rates.

The chief victim of the budget squeeze is the Defence Ministry, whose expenditure is being held steady in nominal terms at FFr195.5bn. But the Education Ministry will enjoy a 5.7 per cent increase to FFr262bn, while the research budget rises 5.9 per cent.

The budget for help to industry goes up from FFr17.8bn to FFr18.7bn, while the provision for new capital for state-owned companies is being increased from FFr4.4bn to FFr5.6bn.

Edith Cresson: 'healthy' budget would help to consolidate the process of 'competitive disinflation'

Cat-and-mouse game gets serious

Lionel Barber looks at why the US is stepping up pressure on Iraq

THE game of cat-and-mouse has gone on for at least three months.

United Nations inspection teams have pressed for access to Iraq's suspected nuclear, chemical, and biological weapons sites, with only limited success. Now the news that US air forces will be moved to Saudi Arabia means that the stand-off has become a good deal more serious.

However, US officials were at pains yesterday to play down the possibility of a renewed shooting war with Baghdad. Although contingency plans exist for selective air-strikes to destroy suspected nuclear sites through bombing raids, the clear hope in Washington is that President Saddam Hussein, when faced with overwhelming fire-power, will cave in to UN demands.

The prospective dispatch of warplanes, complementing an already substantial US naval presence in the Gulf and the Eastern Mediterranean, therefore has one principal aim: to force Iraq to comply with existing UN resolutions calling for full disclosure of its weapons of mass destruction.

The immediate dispute concerns UN inspectors who have been seeking to fly helicopters over Iraqi territory to monitor suspected unconventional weapons sites. Faced with Iraqi intransigence and stalling, the US – supported by Britain and France – drew up plans to dispatch armed escorts, including warplanes and helicopters, to accompany the UN inspectors.

The idea is to gain unfettered, intrusive access to suspected unconventional weapons sites, plus the ability to take aerial photographs. According to western officials, the explanation for the dispatch of US warplanes and Patriot anti-missile missiles is straightforward: if Iraq were to retaliate, some protection is required for the nations hosting the escort teams, in this case Saudi Arabia and, possibly, Turkey.

Behind all this tactical planning, there is a larger strategic goal. It is no accident that the Bush administration has gone public with the prospective military deployment just days before Mr Bush is due to deliver a keynote foreign policy address to the UN General Assembly in New York on Monday. In Mr Bush's eyes, Iraqi failure to comply with ceasefire terms is a direct challenge to the credibility of the UN and its ability to enforce resolutions of the Security Council.

Like its western allies, the US is also determined to ensure that Iraq halts its unconventional weapons programme, specifically its efforts to build a nuclear bomb.

The fact that Iraq's efforts to develop a nuclear device using late 1940s technology went undetected for several years amounts to a serious CIA intelligence failure; with one eye on the command-and-control problems concerning 30,000 nuclear warheads in the Soviet Union, Mr Bush is now treating Iraq as a test-case for international efforts to halt the proliferation of unconventional weapons.

In the last resort, Mr Bush's decision to increase the pressure on Mr Saddam is a reminder of the events of last February when he called an end to the Gulf war and left the Iraqi president in power. Mr Saddam amounts to a problem that will not away.

How serious a problem is open to debate. The Desert Storm parades suggest that Mr Bush can argue in next year's presidential election that the Gulf war was won swiftly, with few American casualties, and was therefore an unqualified triumph.

The American public and the US Congress show few signs of wishing to challenge that proposition. This is why US tactics will likely be to use incremental pressure on Iraq over the next few weeks.

Even if the deployment of military forces can often take on a momentum of its own, the US aim this week is to enforce compliance – not exact punishment – from a wily adversary.

Sealink job cuts hit UK Channel ferry port

By Richard Tomkins, Transport Correspondent

THE ROLE of Folkestone as one of Britain's Channel ferry ports is to end following a decision yesterday by Sealink Stena Line, the UK ferry operator, to close the route between the port and Boulogne and axe 1,569 jobs.

The move also casts doubt on the long-term viability of the French port for use by ferry operators after the Channel tunnel opens.

The cuts follow Tuesday's announcement by Stena, Sealink's Swedish parent, that Sealink's poor performance was dragging the group towards pre-tax losses of SKr300m ($49m) this year.

Mr Gareth Cooper, Sealink's managing director, told employees yesterday that the company's survival depended on the changes being made.

Sealink said it had always planned to close the Folkestone-Boulogne route when the Channel tunnel opened because its relatively low traffic would fall to a level making it unviable.

The decision had been brought forward, it said, because the route was heading for losses of £2.5m ($4.4m) this year, and a further year of losses could not be sustained.

Folkestone's origins as a port are lost in history, but since the 1970s it has been overtaken in importance by its neighbour Dover, which has been able to offer facilities for bigger ferries.

Sealink is now the only ferry company operating out of Folkestone. After the last sailing departs on December 31, part of it will remain a fishing port and the rest will be converted to a marina and residential development by Sea Containers, the port's owner.

Boulogne has two other operators apart from Sealink: P&O European Ferries and Hoverspeed. But it is widely believed in the ferry industry that competition from the Channel tunnel may eventually lead both companies to consolidate their operations at nearby Calais.

The closure of the Folkestone-Boulogne route will result in the loss of 568 jobs, some of them shore-based but most of them on the two Sealink vessels plying the route. The vessels will be sold.

Sealink said the rest of the job losses would be spread among its 4,534 seafarers and shore-based staff at all levels.

The job cuts overlap with 860 redundancies announced as part of a cost-cutting plan in October last year, only 400 of which have so far been achieved.

Sealink, formerly state-owned but privatised in 1984, is Britain's biggest ferry operator after P&O.

Prize problem, Page 14
Weathering the storm, Page 7

British Gas faces row over supply

By Deborah Hargreaves

BRITISH GAS, the private UK utility, faces further clashes and possible legal action from its UK power station customers after the disclosure yesterday that most of the gas it made available for power generation on Monday has already been sold.

British Gas cut prices on Monday for a limited supply of gas to power customers, almost all of which – roughly 1bn therms a year – has now been contracted to two ventures that were planning to sue the company over a price increase in March.

British Gas has contracted to supply Thames Power and a Mobil-Eastern Electricity joint venture with more than three-quarters of the 1bn therms a year of gas it intends to allot to the power market from 1995.

British Gas said it was talking to companies planning 12 power projects, but it will only be able to supply three or four of them.

The move has enraged many of the companies planning independent power projects in the UK. They argue that the two ventures have effectively been awarded compensation by British Gas without which they would have been unable to afford the new price.

The new dispute could threaten the UK government's aim of injecting more competition into the domestic electricity market. It will put pressure on the government to sanction gas imports.

"This not a good day for independent power generation," said Mr Phil Champ, director of corporate development at East Midlands Electricity. , who was hoping to buy gas to supply a planned project in Rugby. "I and others will now have to consider our own legal position." Mr Champ said he had held back from taking legal action over the British Gas price rise in March after being promised by the Office of Gas Supply, the industry regulator, that the dispute would be resolved by a price cut.

Mr James McKinnon, director general of Ofgas, said yesterday that it was "inappropriate" for British Gas to ration gas supplies. "We will have to look at the amount of gas in the market and could force British Gas to free up more supplies," he said.

Other independent generators have criticised the price cut this week as insufficient.

British Gas says it does not have much gas available – it is believed to have about 200m therms a year left after supplying the two companies – and is talking to three or four companies.

The independent companies say they have been treated unfairly by British Gas, which they claim favoured Thames Power and Mobil-Eastern Electricity because of writs that had been issued by the companies. Ofgas forced British Gas to continue negotiations with these two ventures after the March price increase.

However, at least two other companies with power projects complained to Ofgas at the same time saying their projects were just as far along as those of Thames and Mobil-Eastern Electricity.

National Power, one of the UK's two biggest generating companies, has been granted a judicial review of Ofgas's actions. The company said yesterday's disclosure supported its claims of discrimination.

Hope of Yugoslav peace fades as ceasefire collapses

continued from Page 1

But Mr John Major, the UK prime minister, said yesterday that he did not "see any immediate likelihood of [the Europeans] sending in a force" to Yugoslavia.

Speaking in The Hague after talks with Mr Ruud Lubbers, the Dutch prime minister, Mr Major stressed that the presence of European peacekeeping troops on Yugoslav soil would depend on the agreement of all sides in the conflict, and on the establishment of a lasting ceasefire.

Mr Lubbers said he did not want to pre-judge tonight's meetings of foreign ministers of the EC Twelve and of the member states of the WEU.

But earlier, Mr Hans van den Broek, Dutch foreign minister, said: "I really believe it is possible, under certain circumstances, to send a force". He emphasised: "This would not be a military intervention force – we are talking about peace-keeping."

Mr van den Broek said there was a better chance of maintaining a ceasefire with an armed European force than with the present EC monitors "who have to leave when the shooting starts".

The Dutch presidency has been irritated by calls for more action to ease the Yugoslav crisis from Germany, while some German members of the EC monitoring force are reported to have refused to join their colleagues in the field.

As the diplomatic moves continued, Croatian radio claimed that Sibenik, a port south of Split was "under the complete control" of Croat forces and that Federal army units were withdrawing from the strategic Maslinica bridge, linking inland Croatia to its southern Adriatic coastline.

In Zagreb, the Croatian capital, snipers fired from blocks of army flats on to the streets. Pedestrians scrambled for cover and traffic sped from the city centre. People took to air raid shelters for the fourth successive day as air force jets flew over the city. Telephone communications between Zagreb and Belgrade, the Federal and Serbian capital, were cut.

A federal soldier was killed and a Danish EC observer, Mr Mogens Fokdal, was shot in the thigh on Tuesday night when Croatian forces fired at blockaded army headquarters in central Zagreb, where a team of EC monitors had been staying, said an EC spokesman.

Croatian radio said Varazdin, 50 miles north of Zagreb, was hit by grenades yesterday morning.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	81
Algiers	S	32	90
Amsterdam	F	19	66
Athens	S	26	79
Bahrain	S	33	91
Bangkok	R	32	90
Barcelona	S	27	81
Beirut	S	28	82
Belfast	R	15	59
Belgrade	R	17	63
Berlin	C	17	63
Biarritz	S	26	79
Bombay	R	27	81
Bordeaux	S	27	81
Boulogne	F	19	66
Brussels	S	18	64
Budapest	C	19	66
Buenos Aires	C	16	61
Cairo	S	32	90
Cape Town		–	–
Caracas	C	28	82
Casablanca		–	–
Chicago	F	12	54
Cologne	S	22	72
Copenhagen	C	15	59
Corfu	F	25	77
Dallas	S	22	72
Dublin	F	16	61
Dubrovnik	S	26	79
Edinburgh	S	17	63
Faro	S	32	90
Florence	S	26	79
Frankfurt	S	21	70
Geneva	S	23	73
Gibraltar	S	27	81
Glasgow	F	16	61
Helsinki	S	11	52
Hong Kong	S	30	86
Innsbruck	F	19	66
Inverness	F	15	59
Islamabad	F	32	90
Istanbul	S	21	70
Jakarta	F	33	91
Jersey	F	18	64
Johannesburg	S	23	73
Lima	F	20	68
Lisbon	S	31	88
London	C	18	65
Los Angeles	C	17	63
Luxembourg	S	20	68
Madeira	F	26	79
Madrid	S	32	90
Majorca	S	29	84
Malaga	S	28	82
Malta	F	29	84
Manchester	F	17	63
Manila	R	30	86
Melbourne	C	13	55
Mexico City	C	17	63
Miami	F	26	79
Milan	S	27	81
Montreal	S	14	57
Moscow	R	13	55
Munich	S	19	66
Nairobi	S	28	82
Naples	S	27	81
Nassau		–	–
New Delhi	S	33	91
New York	C	23	73
Nice	S	26	79
Nicosia	S	26	79
Oporto	S	22	72
Oslo	C	12	54
Paris	S	24	75
Peking	C	22	72
Prague	F	16	61
Reykjavik	C	8	46
Rhodes	S	26	79
Rio de Janeiro	C	31	88
Rome	S	27	81
Salzburg	S	18	64
San Francisco	C	12	54
Seoul	S	27	81
Singapore	F	26	79
Stockholm	F	14	57
Strasbourg	S	23	73
Sydney	S	20	68
Taipei	R	29	84
Tangier	S	33	91
Tel Aviv	S	29	84
Tenerife	F	30	86
Tokyo	R	21	70
Toronto	S	17	63
Tunis	C	28	79
Valencia	S	31	88
Venice	S	25	77
Vienna	F	19	66
Warsaw	C	14	57
Washington	F	24	75
Zurich	S	22	72

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

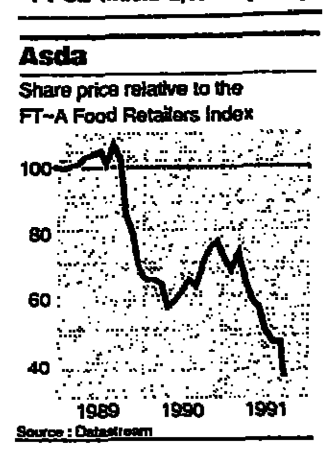
Fresh price cuts from Asda

Yesterday's profoundly depressing annual statement from Asda suggests that the pace of change in UK food retailing is getting out of hand. The 29 per cent drop in Asda's shares was natural enough, being based partly on the forecast one-third cut in the interim dividend and partly on a belated realisation that Asda may well have no future as a national retailer. But it was significant that the shares of Asda's main competitors all weakened slightly as well. This will have been chiefly due to Asda's bleak picture of demand in the grocery trade overall. But it may also occur to the market that it is one thing for Tesco and Sainsbury to prey off Asda's weakness. It would be quite another matter if Asda were to dissolve entirely and its assets to pass into more efficient ownership.

Such an outcome may not yet be certain, but it is getting steadily more likely. Last year's profits were down by a third from the peak of two years before. This year's could halve again. Next year holds little promise of recovery. All the time Asda's debt mountain looms, with a rights issue ruled out by the pre-emptive action of Asda's competitors and the absence of a chief executive to deploy the proceeds.

If the shares can no longer be priced on an earnings basis, the market is left to juggle with asset values. An outright takeover remains unlikely. A UK competitor would be debarred, while new entrants are unlikely to be attracted to a market so stitched up by the industry leaders. If the chain is to be broken up, central assets such as the warehousing and distribution systems mostly represent wasted money. The stores themselves are obviously worth something to somebody. Whether yesterday's market value of almost £800m is the right number is anyone's guess.

FT-SE Index: 2,583.6 (-10.8)



British Gas

The conclusion to be drawn from the supply contracts agreed by British Gas yesterday is that the threat of the law courts produces quicker redress than the regulator. The way for the Barking and Coryton power station projects to obtain industrial gas cheaply enough to make electricity generation economical has been to sue British Gas, settle out of court and use the money to subsidise prices.

Having been forced by Ofgas to lower its prices, Gas begrudgingly agreed to supply 1bn therms annually to a generation market where demand is at least five times higher. It has now neatly tied up in two generation projects more than 80 per cent of that supply. It is hard to see grounds for immediate interference by the regulator, although rival would-be generators will presumably push their claims of discrimination. But the issue shows Gas in a bad light. It is ironic that a lack of competition in one privatised industry is stifling the government's hopes for competition in another.

Trade Indemnity

On the surface, yesterday's 7 per cent fall in Trade Indemnity's shares looks modest for a company which has passed its interim dividend just four months after a £39m rights issue. But the insurance companies which control three-quarters of its capital probably acquiesced grudgingly on the grounds that Trade Indemnity needs to conserve resources to write new business in the upturn.

The fact that over a third of the £38m in new provisions came from commercial mortgage insurance cannot be encouraging for the likes of Eagle Star. Yet premium income is now growing at a healthy clip. The test for Trade Indemnity will be to hold on to its higher rates in what promises to be a highly competitive market, whether or not the plan by NCM of Holland to buy the short-term business of the Export Credits Guarantee Department were to be scuppered by a November election. The company will also need a European alliance if it is to survive the consolidation of the credit insurance industry after 1992. Munich Re, its new 8 per cent shareholder, may be able to help as it also owns 50 per cent in Hamburg-based Hermes. That would be a German solution, but it could offer an exit for UK insurance company shareholders. By now they must feel they have had more than enough.

Kwik-Fit

One loud message from the two-thirds rise in Kwik-Fit's interim profits yesterday is that the replacement of tyres and exhausts cannot be deferred indefinitely, even in recessions. Another is that companies which stick to what they know, ruthlessly pursue higher margins and successfully motivate line management ultimately reap the reward of a higher rating. But now that the shares have outperformed the market by more than 80 per cent in the last year, there is a question of how much further they have to go.

In the short term tyre sales should be boosted by stricter EC requirements on tread size and – if it sticks – by the manufacturers' 12.5 per cent price increase. Demand for new exhausts is also expected to pick up as the better quality products introduced by car makers three or four years ago come to the end of their extended life. The only threat is serious competition, which – despite the efforts of Kingfisher and Halfords – has yet to emerge. The bigger Kwik-Fit becomes the more difficult it is to break in; but with operating margins at 14 per cent, somebody might have another try.

M & G

It is certainly debatable whether M & G should still be considered the UK's pre-eminent fund management group. Nevertheless, those who say the company's investment performance has lost a little of its legendary shine can hardly quibble with its finely honed skills in marketing. The one-off decision to launch a £500m investment trust as the vehicle to cash in on demand for Personal Equity Plans is admirably consistent, not only in that the fund will be run like a unit trust but in that the front-end fees will be closer to the traditionally high levels of the unit trust industry.

One trusts that the independent intermediaries who will benefit will point out to clients that plenty of existing UK investment trusts are trading on a discount to net assets, and that the use of financial gearing which M & G eschews could be attractive at this stage in the cycle.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 19 1991

INSIDE

UK banks block Brent Walker deal

Three of Britain's biggest banks, Barclays, Midland and National Westminster, have been blocking the £1.5bn ($2.53bn) refinancing plan for Brent Walker, which would save the troubled leisure group from receivership, **writes Robert Peston.**

As part of the refinancing, Brent Walker must persuade holders of £100m of convertible bonds to exchange them for new securities. Any deal requires approval of the banks. One set of proposals was accepted by the bondholders in June and backed by almost all Brent Walker's 47 banks.

However, the three clearing banks blocked the deal and have still refused their blessing to new terms. Last year, the Bank of England introduced its "London Rules", intended to prevent banks with little exposure to a company in difficulties from blocking the refinancing of that company. However, the Bank appears to have put little pressure on Barclays, Midland or NatWest.

Charbonnages sues for $C42m

Charbonnages de France has filed a C$42m (US$36.8m) claim in a Vancouver court. Both Charbonnages and Crédit Lyonnais are controlled by the French government, and the case raises questions about guarantees offered by a state-owned institution which later argues with another public-sector entity. **Page 16**

A new sniff for Colombia

Colombia is second only to Holland as a flower exporter, with 8 per cent of the world market. Because flowers have been used to camouflage cocaine in the past, boxes are searched on leaving Bogota and on arrival in Miami. **Page 23**

Debtor finds a home

Bank of Tokyo, a leading Japanese bank, has finally found a home for one of its oldest problem debtors, Yuasa Trading, a trading company which first ran into financial difficulties more than a decade ago. **Page 15**

Italian bond futures surge

Interest in Italian bond futures is surpassing all expectations as the Italian government bond market roars ahead. **Page 18**

GrandMet arm in Japanese deal

International Distillers and Vintners, the drinks arm of Grand Metropolitan, has formed a joint venture with Nikka Whisky and Distilling. **Page 21**

The future comes a step closer

In Japan a down-to-earth approach to robotics has produced machines which carry out tasks in an uncannily human way. **Page 22**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Zanders Feinpap	270	+	7
Falls			
Heidelb Zem	980	−	30
Lahmeyer	890	−	20
Porsche	698	−	12
Rheinmetall Bin	330	−	9
Volkswagen	363.1	−	9.1

NEW YORK ($)

Rises			
Apple Computer	50¼	+	1⅛
Freddie Mac	99¾	+	2
Pier Imports	9½	+	¾
Telephonos	31⅝	+	1¼
Falls			
Sallie Mae	82¾	−	1¼
Schlumberger	62½	−	1⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
SILIC	623	+	18
Falls			
Gal Lafayette	1600	−	40
Navigation Mixt	1255	−	30
Orsan	175.1	−	9.9
Sagem	1610	−	38
Taittinger	3177	−	98

TOKYO (Yen)

Rises			
Honshu Paper	901	+	100
Kawai Musical	775	+	85
Nippon Carbon	2230	+	280
Nippon Chemical	1350	+	200
Nitto Seiko	1280	+	140
Riken Elec Wire	614	+	74

LONDON (Pence)

Rises			
Alumasc	304	+	16
Blenheim	378	+	20
Costain	114	+	8
Interlink Expr	300	+	33
Jeyes	380	+	12
Kwik-Fit	189	+	14
MTL Instruments	238	+	20
Merivale Moore	148	+	10
Midland Bk	246	+	8
Nat Home Loans	14¼	+	2¼
Pelon	50	+	6
S & U Stores	140	+	10
Sandell	34	+	9
Stag Furniture	106	+	20
Falls			
ASDA	87	−	27
Aberfoyle	6	−	4
BICC	404	−	9
Brixton Est	206	−	6
Burnfield	153	−	9
Marks Spencer	269	−	9
Trade Indemnity	68	−	5

Salomon cuts securities holdings

By Martin Dickson in New York

SALOMON BROTHERS, the US securities house, said yesterday that it had had to reduce substantially its holdings of securities as a result of the scandal over its rigging of US Treasury bond market auctions.

The cuts, which it did not quantify, were foreshadowed some weeks ago when it indicated it would be shrinking its balance sheet.

They could mean a significant reduction in its trading activities and revenues, for Wall Street securities houses require large inventories of securities to sell on to their clients.

The group has already been hit by the defection of several major clients and there is evidence that its share of new US stock and bond underwritings has fallen off sharply since the scandal broke in early August.

Salomon, in a filing yesterday with the Securities and Exchange Commission, noted that the continuing government investigation into its trading activities, together with a recent decision by rating agencies to downgrade its debt, had hurt its ability to borrow on an unsecured basis in the commercial paper and other markets.

It said it had taken several steps to shift its funding sources and reduce assets in order to maintain liquidity, and it was "making substantial reductions in securities positions and adjusting their composition to reduce the need for unsecured funding."

As outstanding commercial paper and other unsecured borrowings were retired, it was replacing them with additional secured borrowings and repurchase agreements – which continued to be its principal source of funds – as well as other sources of unsecured borrowings.

Repurchase agreements involve a firm raising short-term funds by lending out securities which it later buys back.

A spokesman for Salomon said yesterday that its liquidity remained strong and its flow of business from customers was good.

He declined to comment on reports that the group has asked Morgan Guaranty Trust to arrange a new, multi-billion dollar committed bank loan, secured by government paper, to replace some of its commercial paper borrowings.

Separately, Mr Warren Buffett, Salomon's new chairman, last week met 110 lending banks to brief them on the group's position. He was also seeking to allay concern about their exposure to the firm's multi-billion dollar credit lines.

Haig Simonian and **John Thornhill** report on a joint venture in the UK music retailing sector

WH Smith to buy Virgin stores stake

The retailing group WH Smith, which owns the Our Price record chain, is to buy a 50 per cent equity stake in the UK retailing operations of Virgin Group, the privately-owned trading company founded by the extrovert Mr Richard Branson.

The two companies are to form a joint venture to develop the Virgin Megastore and Games chains creating a formidable force in the UK music retailing and entertainments sectors. Together, Our Price and Virgin Retailing will control more than 30 per cent of the UK market.

WH Smith yesterday released no financial details of its investment and will only do so if the deal is approved by the Office of Fair Trading. But it is clear that WH Smith intends to put considerable financial muscle behind Virgin's retail expansion.

Virgin currently runs 12 Megastores and seven games centres but now looks set to accelerate its development programme by opening up to 35 stores over the next few years.

In cultural terms the link-up appears an odd combination. WH Smith is widely viewed as one of the UK's more conservative retailing groups, run by the knighted duo of Sir Simon Hornby and Sir Malcolm Field, whose dress and demeanour betray their background as ex-Guards officers.

In marked contrast, Virgin Group has been moulded in the image of the maverick Mr Branson, who formerly ran his diversified international business from a London houseboat, and who built his reputation as a record producer promoting bands such as the Sex Pistols.

In commercial terms, however, there appears to be a close correlation of interests. Virgin Group, which has lacked access to equity financing since it was taken private by Mr Branson in 1988, needs further cash injections to develop its retailing business at the rate it desires – especially given that so much of Mr Branson's efforts and the company's resources are devoted to building up its airline interests.

WH Smith, which raised £148m via a rights issue earlier this year, now has considerable financial flexibility but arguably lacks the retail formats to expand as rapidly as it would like.

Trading links between the two stretch back a long time. WH Smith has bought books and records from Virgin for many years and in 1988 bought 67 smaller record stores from Virgin for £23m, leaving it to concentrate on developing its megastore format.

In contrast to Our Price's small format stores, the Virgin Megastores typically have in excess of 10,000 sq ft sales area and sell a wide range of recorded music, video, computer games and books. In the year to July 31 these stores recorded sales of £84.7m and had a net tangible value of £6m.

The format has been translated abroad and Virgin Retail runs megastores in France, Italy, Japan and Australia often in conjunction with local partners. WH Smith will play no part in running these operations.

Under the deal, all new Our Price stores over 8,000 sq ft will trade as Virgin Megastores. The chairmanship of the joint venture will rotate annually between a Virgin and a WH Smith executive, with Mr Branson taking the job for the first year. The managing director will be Mr Simon Burke, who has been running the Virgin retailing operation for the past three years.

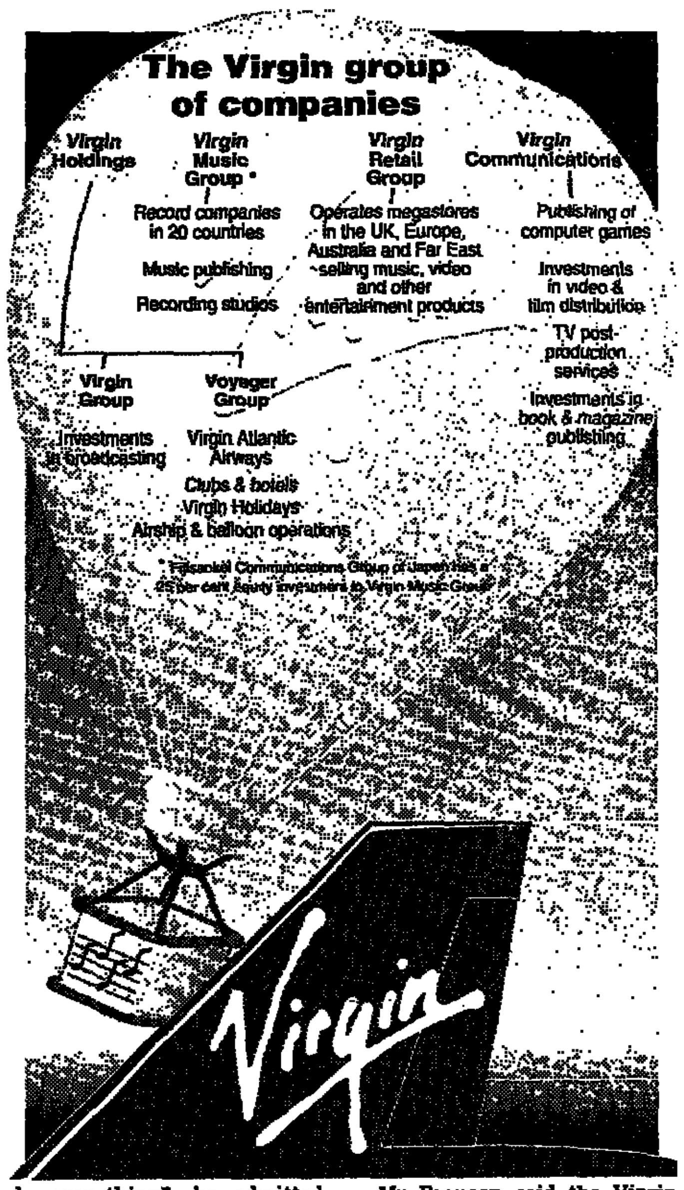
Speaking in Milan at the opening of Virgin's first Italian Megastore, Mr Branson revealed he had been approached by both WH Smith and another leading UK retailer about possible co-operation about five months ago.

Among the "variety of reasons" why WH Smith had been chosen was its retailing expertise and the fact that all new large stores would trade as Virgin Megastores, he said. WH Smith was also commited to invest "quite considerable sums of money" into the new operation.

Mr Branson denied that the decision to sell half of Virgin Retail Group reflected financial difficulties or the impact of the UK recession. The transaction had originally involved WH Smith taking only a 49 per cent stake. But WH Smith "put more sugar in our cup", leading to the current arrangement, he said.

However, Mr Branson acknowledged that Virgin was aware of the need for greater retailing expertise despite advances it has made in the past five years.

WH Smith was a "100 per cent retailing operation", while the Virgin group had a range of other international interests running 120 companies in 23 countries. He accepted he could not give his full attention to retailing. "I can't do everything", he admitted.



The group has already raised around $150m (£87.2m) by selling 25 per cent of Virgin Music Group to Fujisankei Communications of Japan, and $60m for its games subsidiary to another Japanese company, Sega Enterprise. Sales of minority stakes in its European and Far East retailing operations had raised $50m and $20m respectively, he added.

Mr Branson said the Virgin group would pursue the same strategy in other areas "where it could find value". One possibility was the sale of more of Virgin Atlantic Airways, the group's airline, in which Seibu Saison of Japan owns 10 per cent. He said the group was "exploring the possibility" of divesting up to 20 per cent more of the shares, although no talks had yet begun.

Skandia pivotal to Nordic alliance

By John Burton
in Stockholm and
Karen Fossli in Oslo

SKANDIA, Scandinavia's biggest insurer, is emerging as the keystone of a pan-Nordic insurance alliance following the announcement on Tuesday that Norwegian insurer Uni Storebrand has become a major shareholder in the Swedish group.

Uni Storebrand, which acquired 11.4 per cent of Skandia for SKr1.5bn ($243m), is the second Nordic insurer to obtain a stake in Skandia. Pohjola, the Finnish insurer, already holds 10.5 per cent.

Uni Storebrand's intervention in Skandia may be designed to block possible plans by Skandinaviska Enskilda Banken, the largest shareholder in Skandia, to sell its stake to a non-Nordic group.

SE-Banken, Sweden's largest bank, last year acquired an option to take a 28.2 per cent holding in Skandia in anticipation that it would merge with the insurer to form the region's most powerful banking and insurance group.

However, Skandia's management has resisted merger proposals, and recent changes in the banking law would force SE-Banken to tie up a large amount of its capital reserves if it went ahead with the deal. This has increased chances that the bank might sell its Skandia share.

SE-Banken welcomed the Uni Storebrand move, creating speculation that it might sell its option to the Norwegian insurer, which emerges as the second largest shareholder in Skandia.

Mr Bo Ramfors, SE-Banken president, noted that he was ready to hold discussions with Uni Storebrand about the restructuring of the bank and insurance sectors in Sweden and the rest of Scandinavia.

Mr Jan-Erik Langangen, Uni Storebrand president, has made no secret of his ambitions to make Norway's biggest insurer a financial powerhouse in the region.

Possible funding for such an expansion could come from the Norwegian state oil company, Statoil, whose chairman is Mr Langangen. Capital-rich Statoil was granted the right earlier this year to invest in non-oil operations.

Uni Storebrand's purchase of Skandia shares may also be linked to an attempt to consolidate its position in the Norwegian insurance sector as it gains an indirect stake in Vesta, the Norwegian insurer acquired by Skandia two years ago.

James Capel pays £2.5m to settle dispute with Barrick

By Kenneth Gooding, Mining Correspondent in Toronto

JAMES CAPEL, the UK stockbroker, has paid substantial damages in an out-of-court settlement with American Barrick Resources, the Canadian gold mining group. The payment is thought to be more than £2m, plus costs estimated at £500,000.

Barrick sued Capel in July 1989 for exemplary damages and expenses claiming that the UK broker acted improperly by buying shares in Consolidated Gold Fields, the UK mining and industrial conglomerate, on its own account after being instructed to build a stake in Gold Fields for the Canadian group.

It alleged that Capel deprived Barrick of the opportunity to bid for Gold Fields or negotiate the purchase of its North American interests by driving up the Gold Fields share price.

Barrick's allegations arose from a Department of Trade and Industry inspectors' report criticising Capel's behaviour. The report says that in late 1986 Capel, part of the Hong Kong and Shanghai Banking Corporation, was acting as broker for Barrick, which was secretly considering a bid for Gold Fields. Capel was also responsible for buying Gold Fields shares on Barrick's behalf.

The inspectors identified some significant dealings in Gold Fields shares by Capel on its own account and for clients at about the time of Barrick's buying programme. Given Capel's role as broker and adviser to Barrick, they said, "we find it surprising that Capel dealt in the company's [Gold Fields] shares in the manner described in this report".

The inspectors said Capel had tried to interest a number of companies in a bid for Gold Fields before Barrick responded in July 1986. Press comment helped to lift Gold Fields' share price and the company asked for the stake build-up to be investigated. In January 1987 Barrick gave up the idea of a bid and sold the shares.

Mr Peter Munk, Barrick's chairman, said yesterday he felt "morally outraged" when he learned about the contents of the DTI report.

He had wanted to pursue Capel through the UK courts but was persuaded to settle out of court to save executive time. He felt Barrick's actions had been vindicated by the settlement but he would give no financial details.

Capel said: "American Barrick had made a substantial claim against us which we have now amicably settled out of court without admission of liability for a sum in the region of £2m."

Racal chairman earns paper profit

By Richard Gourlay in London

SIR ERNEST Harrison has made a £345,000 ($597,000) paper profit since Monday on Racal Electronics shares he bought the day before Williams Holdings made a hostile bid for the defence and security company of which he is chairman.

The £693m bid, which Racal rejected yesterday, helped boost Racal's share price to 56.5p yesterday, 13 per cent above the average price at which Sir Ernest bought his stake.

Sir Ernest's 5m share purchase came on the first day that Vodafone, the operator of a cellular telephone network, floated free of Racal after a demerger that has taken 10 months.

On Monday, Sir Ernest also sold a £5m stake – representing at least half his stake – in Vodafone where he is non-executive chairman.

Advisers to Racal said yesterday it would have been "improper" for Racal directors to deal in the shares before they became officially tradeable on Monday.

The speed of the Williams bid had taken Racal by surprise and Sir Ernest's share purchases had been a vote of confidence in the company's future.

After a board meeting, Racal rejected the industrial conglomerate's three-for-20 all-share offer saying it undervalued "Racal's longer-term potential".

Advisers said the Racal camp was in no hurry to respond further to the bid until Williams produced its offer document.

Williams expects to post its offer document to Racal shareholders early next week.

Its share price continued to weaken yesterday, losing 5p to 332p or 8 per cent below the value at which it closed on Monday before the bid.

Meanwhile, City of London analysts and shareholders are preparing for the largest contested takeover battle seen in more than a year. Opinion was divided was to how the contest would pan out.

Most fund managers said Williams' opening shot was not a "knock-out blow". They said the Williams share price fall suggested it would need to introduce a cash element if it was to succeed and this would involve earnings dilution.

Others said Racal and its advisers would find mounting a defence "extremely tricky". Racal, stripped of its stake in Vodafone, made loses of £21.8m on a pro-forma basis in the year to March.

INTERNATIONAL COMPANIES AND FINANCE

Alcatel Alsthom surges 32% after gain on Fiat deal

By William Dawkins in Paris

ALCATEL Alsthom, the French electrical engineering and telecommunications group, yesterday published a 32 per cent rise in net profit for the first half of the year, including a heavy exceptional gain.

The group's net income after minorities rose from FFr1.97bn ($330m) in the first six months of 1990 to FFr2.59bn in the same period of this year. The result includes a FFr630m non-recurring profit from the sale of Alcatel Alsthom shares to Fiat, the Italian automotive group, as part of the alliance they announced last year. Alcatel Alsthom's net income declined fractionally to FFr1.96bn if the exceptional profit is stripped out.

Sales rose by 9 per cent to FFr74.77bn in the first half, although the underlying gain comes down to 6 per cent, adjusting for the impact of acquisitions such as Telettra, the former Fiat telecommunications subsidiary of which Alcatel Alsthom took control as part of the partnership deal.

The group forecast that overall sales growth for the year should be in line with the first half. Income before exceptional items would rise more slowly than in the first six months, but still "substantially exceed sales growth," said Alcatel.

Operating profits after finance costs rose by 26 per cent to FFr6.55bn, reflecting better margins across the group's main divisions, but especially in the Alcatel telecommunications business, the company said.

Earnings per share rose from FFr15.3 to FFr17.4, excluding non-recurring items.

Management changes unveiled at Cerus

By William Dawkins

CERUS, the troubled French holding company controlled by Mr Carlo De Benedetti, the Italian financier, yesterday announced a change of management and denied rumours that it was planning to sell its banking unit.

Mr Jacques Letertre resigned as managing director of Cerus and chairman of Banque Duménil Leblé, posts he has held since the Italian financier took control of the bank three years ago.

His departure comes two months after Duménil Leblé discovered that its latest acquisition had been subject to a L100bn ($77.22m) fraud involving Italian shares. The bank involved, Geneva-based Assets Development Bank, used to belong to a member of the Duménil family.

Mr Letertre's departure is friendly and there is no suggestion that he is in any way being held accountable for the Swiss scandal, said a senior Cerus official.

His replacement at Cerus is Michel Cicurel, who has since late 1989 been managing director of Galbani, the Italian cheese subsidiary of BSN, the leading French food group. There will also be a new chairman at Duménil Leblé: Mr Michel Garbolino, currently managing director of the investment group Elysées Investissements.

Both posts are to be confirmed at a Cerus board meeting in the next few days.

The change also reflected Cerus' wish to concentrate on being the "operator" of its main investments – a controlling minority in the Valeo components group, Duménil Leblé and Cofir, a Spanish holding company, said Mr De Benedetti. The bank would remain as a stable holding in Cerus.

Over the past year, Cerus has concentrated on curbing its debts by selling non-essential assets, including its holdings in the Yves Saint Laurent fashion group.

Rieter warns of heavy fall in profits

By William Dullforce in Geneva

RIETER, the Swiss textile machinery group, yesterday disclosed a 13 per cent decline in consolidated turnover, to SFr944m ($646m) in the first seven months of the year. Earnings for the year as a whole were likely to be considerably lower than those for 1990, the company warned shareholders.

Last year's results were badly hit by the slump in demand for Rieter's spinning machines. For 1990, the group posted a 54 per cent fall to SFr36.3m in net consolidated earnings, and halved its dividend.

When Saurer Group Holding, Swiss financier Mr Tito Tettamanti's parent company, bought 6.7 per cent of the capital and 5 per cent of the voting rights in Rieter in March, Mr Tito and Rieter denied reports in Swiss newspapers that Saurer planned a takeover.

In June, Saurer bought Schlafhorst, a big German manufacturer of textile machinery and a direct competitor of Rieter's. At the time, Mr Tettamanti stressed the need for European producers to concentrate their forces in order to remain competitive against aggressive Japanese groups.

A 25 per cent dive to SFr421m in sales of its spinning machines was the crucial element in Rieter's seven-month turnover decline this year. Sales by Unikeller, its noise control division which depends heavily on the car industry, dropped by only 1 per cent to SFr347m.

Unikeller sees prospects of a substantial increase in sales to the UK next year, as Japanese car manufacturing comes on-stream there.

Rieter reported "a massive squeeze on margins" for its spinning systems. The workforce has been reduced by 11 per cent since the start of the year, and the Winterthur and Ingolstadt plants are working short time.

Operations are being streamlined further while the group plans to strengthen its presence in the Far East.

Hanson adds three non-executive directors

By Roland Rudd in London

HANSON, the acquisitive British conglomerate, yesterday announced the appointment of three new non-executive directors in a move designed to head off criticism of its corporate governance.

However, institutional shareholders, while welcoming the appointment of new non-executive directors, voiced their surprise that the three were the best the conglomerate could find from a list of more than 100 people.

Sir Gordon Booth, a former non-executive director of Hanson who chaired the committee which recommended the new appointments, has been looking for new non-executives for more than six months.

Yet many of Hanson's big shareholders had never heard of one of the three, Mr Jonathan Scott-Barrett, senior executive of Centaur Communications, a small publishing company established in 1982.

Mixed feelings were expressed about the other two non-executive directors, Mr Simon Keswick, director of Jardine Matheson Holdings, and Mr David Hardy, chairman of London Docklands Development Corporation.

While both men were known by Hanson's investors, some institutions expressed reservations that they were not more "heavyweight".

"I think it is a bit surprising if this is the best Lord Hanson can produce from a list of 100," said one Hanson shareholder.

Sir Gordon said the three had been appointed because of their "strong independent views". Advisers to Hanson had already vetoed some names put forward as being "unsuitable".

The new non-executive directors, who will join the Hanson board at the beginning of next month, could change the way Hanson is run, argued Sir Gordon.

"There will be a mechanism of communication between executive and non-executive directors," said Sir Gordon. "They will not accept responsibility without information."

However, Sir Gordon added that the new non-executives had also been chosen because they had demonstrated entrepreneurial flair. "We needed to satisfy ourselves that they were not stone walls telling us how it cannot be done," he said.

Mr Hardy said he had agreed to become a non-executive director because of his admiration for the group.

The three will bring Hanson's non-executive directors up to five. The existing non-executive directors are Mr Charles Price, former US ambassador to London, and Sir Christopher Harding, chairman of British Nuclear Fuels.

The timing of the appointments also caused some surprise. Lord Hanson's advisers had recently made it known that the new appointments were likely to be announced when the conglomerate reported its year-end results in December.

Stena Line's prize becomes a problem

Robert Taylor looks at the financial effects of the takeover of Sealink

STENA LINE'S acquisition last year of Sealink for SKr3.7bn ($606.5m) has created significant financial problems for the Swedish shipping company. It may have doubled the size of Stena Line, turning it into one of the world's largest ferry service operators, but the price has been high.

It took nine months of legal and financial struggle to win control of Sealink in the face of stiff opposition from previous owner Sea Containers.

In the autumn of 1990, the company announced a rationalisation programme designed to cut Sealink's costs and improve its efficiency to the levels of Stena's Scandinavian ferry operations. As much as Skr200m was put on aside in last year's accounts to pay for those necessary changes.

At the same time, the company also unveiled an ambitious two-year, SKr1.8bn investment programme for Sealink to modernise port facilities and its fleet. Despite yesterday's announcement, most of the planned investments will continue.

The outlays on Sealink were the main cause for the plunge in Stena's profits last year to SKr107m from SKr272m over the previous 16 months. Invoiced sales may have risen to SKr6.5bn from Skr4.18bn over the same period, but the profit per share fell to SKr9.87 from SKr11.22 and the debt-equity ratio declined to 18 per cent from 31 per cent.

Despite these setbacks, Stena took a highly optimistic view of the 1991 outlook even as late as its annual general meeting in May but now it believes it will make an actual loss this year of around SKr300m entirely because of its Sealink operation.

The original restructuring programme failed to deliver the expected savings, while the recession in Britain and Ireland reduced the expected increase in traffic volume and a six-month strike in French ports at the height of the holiday season hit revenues badly.

Stena believes the latest planned cutbacks will reduce Sealink's costs by a further Skr500m. No doubt, its shareholders hope so as well.

The Gothenburg company has only been listed on the Stockholm bourse since June 1988 when what the Olsson family firm decided to seek SKr800m in capital to help fund its expansion plans.

Asda shares drop 28% on warning

By John Thornhill in London

SHARES in Asda yesterday dropped by 28 per cent to 67 pence after the Leeds-based grocery chain warned of a "very significant deterioration" in its results for the current year.

Sir Godfrey Messervy, chairman, told shareholders at the company's annual meeting yesterday that the effects of the recession, coupled with the company's high level of operational gearing, would have a significant impact on pre-tax profits.

Analysts immediately cut their forecasts for Asda's full-year profits to around £90m ($152.1m), compared with the £173m achieved last year.

Shareholders took the news badly, and a resolution to raise the funds available for the remuneration of non-executive directors from £60,000 to £100,000 was fiercely opposed by ordinary shareholders, who forced a poll on the issue.

The resolution was narrowly defeated by a show of hands at the meeting, but the proxy votes of the big institutional shareholders ensured it was carried by 99 per cent of votes cast.

Sir Godfrey said that given the current trading experience, it would be inappropriate to maintain the level of its interim dividend. He forecast a cut to not less than 1.25p, compared with 1.85p last year.

M&G set for largest UK trust launch

By Philip Coggan, Personal Finance Editor, in London

M & G, the UK fund management group, yesterday launched the most substantial attempt to market a collective investment fund to the UK public since the 1987 stock market crash.

The group will mail to 2.5m households, 10 per cent of all those in the UK, and will conduct a heavy newspaper advertising campaign in an attempt to raise up to £500m for the M & G Income Investment Trust.

The offer is set to be the largest ever investment trust launch in the UK.

Sales of collective funds to the UK public have been depressed since the crash because of the caution that the sharp falls in share prices induced in private investors. However, some investors have recently shown interest in buying investment trusts – closed end funds – particularly when they are held within a Personal Equity Plan (PEP), in which all income and gains are tax-free.

The new M & G trust will be marketed primarily as a PEP, since the tax rules allow investors to put £6,000 into a new issue. Normally, the maximum that can be invested in an investment trust PEP is £3,000.

M & G is more renowned for managing unit trusts – open ended funds – than for investment trusts. However, the size of the marketing effort for the new trust means that the fees will be much closer to the traditionally higher levels of the unit trust industry. The initial charge will be between 5 per cent and 6.76 per cent depending on the amount raised.

The new trust is being launched in split capital form, with three separate classes of shares; capital, income and zero coupon. This structure should allow the trust to avoid the age-old problem of the investment trust industry, the discount at which trust share prices trade to their asset values.

Private investors who buy the shares in PEP form, however, will be given a package of all three types of share; the shares can be traded separately after the launch. Trying to sell three classes of shares to the public was seen as too complex a task.

The overall yield on the trust, which will invest in recovery stocks and smaller companies, will be 6.55 per cent at the offer price for the package of 100p.

The trust is being launched primarily via an offer for subscription, which means the issue is not underwritten, although it will not go ahead if it raises less than £20m.

S. G. Warburg will also be conducting a separate placing. The offer will close on October 17 and dealings should begin on October 29.

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INTERNATIONAL COMPANIES AND FINANCE

Bank of Tokyo arranges takeover of Yuasa unit

By Stefan Wagstyl in Tokyo

BANK OF TOKYO, a leading Japanese bank, has finally found a home for one of its oldest problem debtors, Yuasa Trading, a trading company which first ran into financial difficulties more than a decade ago.

In a deal put together by the bank and announced yesterday, Yuasa Trading is to be taken over by Yuasa Shoji, a much larger and conspicuously more successful trading group. The two companies will be merged into a new company in which each 100 Yuasa Trading shares will be valued at 36 shares in Yuasa Shoji.

The two companies share the same name, but have no capital or business ties. Yuasa Trading specialises in the timber and food trades, while Yuasa Shoji deals in machinery and in the domestic distribution of building materials.

Yuasa Trading, a loose affiliate of the Bank of Tokyo which holds a 5 per cent stake, was hit by the violent swings in commodity prices in the late 1970s and early 1980s. It tried to diversify from its traditional businesses into trading machinery and electronics products but generated insufficient profit from its new activities. It was kept afloat in the late 1980s by gains from securities dealings which offset poor operating results.

Yuasa Trading has not paid a dividend since 1980. In the four years to March 1990, it lost Y4.7bn at the operating level although it broke even at the pre-tax level. In the last financial year, to the end of March 1991, it made a small operating profit of Y325m and a pre-tax profit of Y205m.

An official declined to elaborate on the company's performance, and said: "Please don't write that we made losses all those years. Last year we finally made a profit."

Yuasa Shoji said it hopes to benefit from Yuasa Trading's experience in China and the Soviet Union. Merging the two companies would achieve economies of scale.

Mr Kenichi Furumi, president of Yuasa Trading, said the merger had been agreed after a long slump at his company. The two companies would complement each other.

Yuasa Trading had sales of Y156bn in the year to March and Yuasa Shoji Y474bn.

Resplendid set to take majority in ACM

By Kevin Brown in Sydney

WESTERN Mining Corporation (WMC) and Normandy Poseidon appeared poised to secure a majority holding in Australian Consolidated Minerals (ACM) yesterday after winning over ACM's biggest shareholder and striking a deal on the development of one of the target company's biggest assets.

Resplendid, the jointly-owned bidding vehicle for the two resources companies, said it had received acceptances for a 30 per cent holding in ACM from AFP Group, the Monaco-based investment company.

The announcement gives Resplendid 31.21 per cent of ACM, for which it is offering A$1.11 a share, valuing the company at A$260m (US$205m). The deal will net A$78m for AFP, plus a further A$1.8m for 22.5m partly-paid shares.

AFP accepted the offer after Resplendid declared the bid unconditional and extended the offer period until October 23. The bidders also said that ACM shareholders who accept the offer would be entitled to retain the company's 5 cents a share dividend.

Resplendid said ACM's Mount Keith nickel project in Western Australia would be developed jointly by WMC and Outokumpu Metals and Resources of Finland if the bid is successful.

ACM's main defence against the offer has been an attempt to tie up control of Mount Keith by selling a half-share to Outokumpu and handing over management control in return for a payment of A$80m.

WMC, which wants to develop Mount Keith as a source of low-grade ore to feed its nickel smelter at nearby Kambalda, had earlier said the bid would lapse if the sale was approved by a shareholders' meeting set for next Monday.

Resplendid is still advising shareholders to reject the sale, but its decision to declare the bid unconditional means the offer will proceed even if shareholders give their approval.

However, Resplendid's deal with Outokumpu means WMC is guaranteed at least 50 per cent of Mount Keith if the offer is successful. Under an agreement between the bidders, WMC would acquire ACM's stake in Mount Keith, while Normandy would acquire ACM's gold mines and some other assets.

In a separate development, ACM dropped litigation in the Supreme Court of Victoria seeking to force Resplendid to clarify some aspects of its bid and prevent the bidders voting ACM shares at Monday's meeting.

● Pacific Dunlop, the diversified Australian industrial group, said it owned more than 90 per cent of Petersville Sleigh, the foods group which was formerly part of the Adsteam group, and would move to acquire the balance of shares by compulsory purchase.

The announcement means the acquisition of 100 per cent of Petersville Sleigh will cost Pacific Dunlop A$395m. The group recently announced a one for five rights issue to raise A$672.5m to restore cash balances and borrowing levels.

Burns Philp tumbles 15% as hardware side suffers

By Kevin Brown

BURNS PHILP, the diversified Australian food and trading group, yesterday blamed the effects of recession on its hardware division for a 15 per cent fall in net profits to A$90m (US$72m) for the year to the end of June.

Mr Andrew Turnbull, managing director, said there were early signs of a turnround in the building industry, but the improvement was unlikely to have much impact on the hardware business in the short term.

"Unless there is a substantial increase in building activity in Australia in the near future, it is unlikely that there will be a significant improvement in the level of profitability for the group in the coming year," Mr Turnbull said.

The group said it had made "solid progress" towards its strategic goal of realigning activities into its core food and hardware operations. The group made a pre-tax profit of A$117m during the year on the sale of a 45 per cent stake in QBE Insurance for A$317m.

The sale helped reduce net debt to A$257m from A$526m, placing the company in "an excellent financial position," Mr Turnbull said.

"We now have almost three-quarters of our assets concentrated in food and hardware, and we have substantial surpluses available for further development as conditions improve," he said.

However, expansion would occur "only in our clearly-defined core activities, and only if targets meet our strict financial criteria".

The group said the biggest cause of the fall in profits was a 31 per cent cut in net profits from the hardware division, which contributed A$21m.

The food and fermentation division increased profits by 12 per cent to A$65m, and the Pacific trading division increased profits marginally from A$14m to A$15m. Turnover was up 6 per cent to A$2.3bn.

Burns Philp said net profits increased to A$179m after taking account of extraordinary profits of A$117m on the sale of QBE and extraordinary and abnormal losses of A$28m relating to rationalisation of plant and the group's involvement with Estate Mortgage Trust, a collapsed property investment vehicle.

Jardine to modify plan for primary listing

By Angus Foster in Hong Kong

JARDINE MATHESON, the Hong Kong-based trading group, has acted to stifle criticism of its planned move of primary listing to London by making a significant gesture on the Hong Kong takeover code. This may also increase the company's chances of a compromise with Hong Kong regulators now consulting the public about Jardine's plans.

Mr Nigel Rich, managing director, said yesterday the company now agrees that if it moves its primary listing to London it will remain subject to Hong Kong's takeover code.

"This is a significant step which we hope will meet the concerns which have been expressed," he said.

Jardine announced last year it wanted London to be its primary regulator due to fears China would interfere in Hong Kong after 1997. The company wants Hong Kong regulators to create a new, trading-only status for large companies in the colony. This would allow its shares to continue to be traded in Hong Kong, where Jardine group companies account for about 9 per cent of capitalisation.

But because Jardine is domiciled in Bermuda, it is not covered by the London takeover code, and the company has been accused of trying to escape from takeover regulations. An earlier suggestion by Jardine to remain subject to the Hong Kong code for a three-year transition period failed to silence the criticism.

Jardine has also been attacked by China for seeking "special favours" ahead of 1997. The stock exchange and Securities and Futures Commission, the overall market watchdog, will not decide on the issue pending public consultations, which could last the rest of the year.

Jardine has warned that if it is not granted a trading-only status it will delist from Hong Kong. Jardine's new proposal relies on trading-only status companies still being able to delist if they agree to come under the Hong Kong takeover code.

Mr Rich said the company was concerned about the implications under the takeover code for trading-only status companies who decide to delist. "It is important the relationship of our listing in Hong Kong is on clear-cut terms so that, if we have to, we can sever that relationship," he said.

Mr Rich was speaking after Jardine announced a 10 per cent increase in net profits for the six months to the end of June of US$135.1m.

Turnover increased 38 per cent to $3.38bn and the company is raising its interim dividend 8 per cent to 3.4 cents a share. The results were in line with expectations.

Malaysia to float state news agency

MALAYSIA plans to privatise its national Bernama news agency as part of efforts to turn it into a profitable supplier of information and news, according to Mr Mohamed Rahmat, the Information Minister, Reuter reports.

The economic planning unit, responsible for Malaysia's privatisation programme, is studying the terms of reference for divesting the government's stake in the agency.

,Since 1990 Bernama has had the sole right to receive and distribute foreign news in Malaysia.

Fay Richwhite considers reducing stake in BNZ

By Terry Hall in Wellington

FAY RICHWHITE Holdings may sell part of its 26.8 per cent shareholding in the Bank of New Zealand following the merchant bank's NZ$20.8m (US$m) loss for the 15 months to June 30, Mr David Richwhite, joint chief executive, said yesterday.

Fay Richwhite's overall performance was held back by losses and holding costs on the BNZ investment, with the core merchant banking operations making a NZ$44.5m profit in the period.

Mr Richwhite said the unexpected problems and subsequent restructuring of BNZ in December had cost the company NZ$50m.

While BNZ had been stabilised, Fay Richwhite was not comfortable with the investment's impact on its own accounts, and wanted to see its debt levels down.

While there were no specific plans to sell the BNZ shares, some scaling down and a placement of the shares was a possibility.

Late last year, the company had told shareholders they would receive a 4 cent final dividend, but this was passed because of the BNZ costs.

However, Mr Richwhite said yesterday it was hoped to pay an early interim for the current year.

He said the merchant banking operations had been very good, with income of NZ$94.1m, a "laudable performance in the current environment".

INTERNATIONAL COMPANIES AND FINANCE

Crédit Lyonnais accused of conflict in mine transaction

By Bernard Simon in Toronto

CHARBONNAGES de France has filed a C$42m (US$36.8m) claim in a Vancouver court against an international consortium of banks, alleging that one of them, Crédit Lyonnais, misled Charbonnages over an investment in the ailing Quintette coal mine in British Columbia.

The claim is attracting widespread interest in international banking and legal circles. Both Charbonnages and Crédit Lyonnais are controlled by the French government, and the case raises questions about financial guarantees offered by a state-owned institution which later finds itself at loggerheads with another public-sector entity.

The claim underlines risks faced by Crédit Lyonnais and its chief executive, Mr Bernard Thiolon, in taking on the dual role of lender and financial adviser in a transaction.

In a statement filed with the British Columbia Supreme Court, Charbonnages accuses the bank of a conflict of interest in acting both as a lender to Quintette and an adviser to Charbonnages on the financial viability of the mine.

Quintette, which is North America's largest single exporter of metallurgical coal, was built in the early 1980s to diversify Japanese steelmakers' sources of raw material supplies. But the mine has been plagued almost since its inception by financial problems caused by sagging coal prices, as well as high production and transport costs.

Bernard Thiolon: dual role of lender and adviser

A dispute with its customers over prices culminated in a court order in June 1990 freezing the mine's financial obligations.

Charbonnages says in its claim that Crédit Lyonnais failed, among other things, to advise it on the terms of the mine's contracts with Japanese steel mills and the risks inherent in these contracts, especially provisions allowing for changes in the coal price.

It says that it would not have provided financial backing for the C$1.2bn project had it been advised of the risks to Quintette's long-term viability.

Charbonnages has a 12 per cent equity stake in Quintette, and has also provided a US$9.4m guarantee to the 56-member lender consortium. Its claim is part of the French company's defence against a suit launched by the banks, led by Canadian Imperial Bank of Commerce and Bank of Montreal, seeking to enforce its guarantee. The banks have yet to file their response to Charbonnages' claim.

Quintette's other shareholders, which include 12 Japanese steel companies and Denison Mines, honoured their guarantees to the banks in 1986.

Quintette itself continued to service Charbonnages' portion of the debt until the mine was brought under the protection of the courts last year.

The mine is currently in the throes of negotiations to restructure its C$640m debt as well as other liabilities.

After a series of disputes involving Denison, the steel mills and the banks, responsibility for managing the mine was recently transferred from Denison to Teck of Vancouver.

US Steel warns of third-quarter loss

By Martin Dickson in New York

US STEEL, the largest steel producer in the US, said it would lose money in the third quarter. However, the company added that its sales and profits were on an improving trend which should continue into the fourth quarter.

Mr Thomas Usher, president, said: "We're getting close [to profitability], and I'm optimistic about the fourth quarter." However, he added that the company, which had recorded a $346m pre-tax restructuring charge in the first quarter, would not be profitable for 1991 as a whole.

His remarks underscore the general belief that – barring a surprise second dip in the US recession – the low point in the steel sector's industrial cycle is now well past, with improving order books and firming prices.

US Steel is part of the USX Group, which is also involved in the energy business. The group's shares earlier this year were split into two classes of stock, one based on steel and the other on energy.

The move was in response to demands by Mr Carl Icahn, the financier, for USX to improve its stock market performance.

Mr Usher added that attempts by USX to sell some or all of its steel assets had been suspended following last May's stock restructuring. He said there was always a possibility of some future venture or outside investment but added: "We're much less aggressive than a year ago."

He said he believed that investors were attracted to US Steel because it had completed the most costly investments in its capital spending programme, with total capital expenditure due to fall every year between now and 1995.

In the second quarter, USX's steel business reported an operating loss of $86m on sales of $1bn, compared with operating income of $80m on sales of $1.4bn in the second quarter of 1990.

The company blamed most of the decline on lower steel prices and shipment levels and increased labour costs.

Federated and Allied Stores improve at operating level

By Nikki Tait in New York

FEDERATED Department Stores and Allied Stores, the two US retail groups that filed for Chapter 11 bankruptcy protection in January 1990 after being acquired by Campeau of Canada, saw improved operating results in the second quarter this year.

Federated made a larger loss at the after-tax level, up from US$80m in the second quarter of 1990 to US$108.5m in the same period of 1991. However, this was largely due to higher reorganisation expenses of US$101.8m, against US$4.1m.

At the operating level, Federated actually produced a US$10.8m profit compared with a US$28m loss. Turnover was US$964.7m.

Allied, meanwhile, made an after-tax loss of US$35.3m, compared with a US$46.3m deficit in the year-earlier period. Again, at the operating level, there was an improved performance, although the group remained in the red.

The second-quarter operating loss was reduced from US$12.1m to US$2.1m. Sales were US$529.8m.

Dominion Mining posts A$27m deficit

By Kevin Brown in Sydney

DOMINION Mining, the Perth-based gold mining company, yesterday announced a net loss of A$27m (US$21.3m) for the year to the end of June, after writing down the value of its gold reserves by A$81m.

Dominion said the write-down had been necessary because of the low price of gold and the introduction of corporate taxation on Australian gold production from last year.

The effect of the write-down was reduced by a tax credit of A$17m reflecting deductible expenditure allowed as part of the regime for the introduction of the gold tax. Dominion said it would be accounting for tax in the current year, but expected not to be liable for tax payments until the 1993-94 financial year.

The directors said pre-tax profit was virtually steady at A$35m on revenue up from A$227m to A$243m.

The board declared an unfranked final dividend of 2 cents a share, making a total dividend of 4.5 cents, compared with 4 cents last year.

State regulators to conduct joint probe of Salomon

SECURITIES regulators in 38 states said they planned to conduct a "co-ordinated probe of the abuses in the government securities market" by Salomon Brothers, the scandal-hit Wall Street investment bank, writes Nikki Tait.

Salomon's recent conduct in the US government securities market is already under investigation by federal agencies, after admissions by the bank that it had broken the Treasury auction rules earlier this year.

The scandal quickly claimed the careers of top Salomon executives, including its former chairman, Mr John Gutfreund.

Intervention by state officials had been expected. Despite a formidable tier of federal regulation in the securities industry, broker-dealers are also licensed at a state level. Accordingly, state securities agencies are responsible for monitoring dealers' behaviour, and can take action in cases of fraud, and unfair or unethical business practice. In cases of serious wrongdoing, the penalties open to state regulators range from licence revocation to financial penalties.

The states have acted on a co-ordinated basis in the past. In the Drexel Burnham Lambert collapse, 42 states came together and imposed a total $8.9m penalty on the bank – although this sum paled besides the federal penalties which were levied.

The state grouping in the Salomon case said that it had meet with the Securities and Exchange Commission, the main federal watchdog, and had also held preliminary talks with lawyers for Salomon.

Salomon declined to comment on the state regulators' move.

INTERNATIONAL CAPITAL MARKETS

Treasuries move in narrow range on Gulf tension

By Karen Zagor in New York and Tracy Corrigan in London

US Treasuries traded in a narrowly-mixed range yesterday morning in a hesitant market as investors once more turned their attention to tensions in the Gulf in the absence of more pressing economic news.

At mid-session, the Treasury's benchmark 30-year bond was ¼ lower at 102¼, yielding 7.92 per cent. Shorter-dated maturities were unchanged to ⅛ higher.

The Federal Reserve entered the open market to execute overnight system repurchase agreements when Fed Funds were trading at 5⅛ per cent. The adding operation was seen as a technical move to address the rate's firmness. The Fed's perceived target for Fed funds is 5¼ per cent.

The day opened with reports that the US is getting ready for an attack on Iraq if Iraqi president Saddam Hussein does not allow complete inspection of Iraqi weapon sites. Later in the morning, the United Nations said failure by Baghdad to co-operate might lead to military action.

The news had a slight impact on a torpid market. For the moment, however, attention remains fixed on the next employment report, which will be released in October.

GOVERNMENT BONDS

■ PRICES in the UK gilts market rose sharply, despite a weaker showing for the ruling Conservative party in the latest opinion poll published yesterday morning. The poll suggested that the Conservative government and the opposition Labour party are level-pegging, contradicting recent polls which showed the Conservatives well ahead.

But the market failed to react to the poll, focusing instead on the details of next week's gilt auction, announced on Tuesday. The new paper will mature in 2004, rather than in the 2008 area which many dealers had expected. Consequently, the long-dated sector of the gilts market benefited yesterday. Investors who had been waiting to switch into the new stock, in order to hold long-dated paper, bought the long end of the market. Long-dated gilts ended ⅝ point up on the day. Shorter-dated bonds posted smaller gains.

■ BUND prices ended slightly lower, after reports of US military movements in the Gulf and news that Mr Boris Yeltsin, the Russian president, is suffering from heart trouble.

The French government bond market registered little reaction to the 1992 budget, which contained few surprises. Prices were virtually unchanged.

Japanese government bonds were steady in trading hours, with the No. 129 benchmark ending at 6.11 per cent. Prices were unchanged in European trading.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.7000	+0.475	10.58	10.68	10.60
BELGIUM		9.000	08/01	98.8500	+0.050	9.17	9.22	9.47
CANADA *		9.750	12/01	101.8500	+0.230	9.48	9.58	9.73
DENMARK		9.000	11/00	99.2200	-0.080	9.12	9.14	9.41
FRANCE	BTAN	8.500	11/96	97.8022	+0.050	9.03	9.08	9.26
	OAT	9.500	01/01	103.7300	+0.010	8.88	8.91	9.08
GERMANY		8.750	08/01	102.2000	-0.050	8.41	8.43	8.64
ITALY		12.500	03/01	99.4700	+0.330	12.89	13.13	13.56
JAPAN	No 119	4.800	06/99	91.4678	+0.028	6.45	6.52	6.91
	No 129	6.400	03/00	101.5096	-0.057	6.13	6.19	6.53
NETHERLANDS		8.500	03/01	98.1300	-0.020	8.79	8.80	8.94
SPAIN		11.800	07/96	101.3700	-0.110	11.47	11.56	11.96
UK GILTS		10.000	11/96	101-15	+03/32	9.63	9.67	10.02
		10.000	02/01	102-25	+11/32	9.54	9.69	10.03
		9.000	10/08	97-18	+31/32	9.29	9.51	9.83
US TREASURY *		7.875	08/01	101-24	+02/32	7.62	7.74	7.81
		8.125	08/21	102-08	-03/32	7.92	8.02	8.10

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Hong Kong SE names new chief executive

By Angus Foster in Hong Kong

HONG KONG's stock exchange yesterday announced the appointment of Mr Paul Chow, a computer expert, as chief executive to replace Mr Francis Yuen, who is leaving.

Mr Chow was favourite for the job because of his technological experience as Hong Kong upgrades the exchange's systems and moves towards scripless trading. He is currently chief executive of the Hong Kong securities clearing committee and has overseen the establishment of the market's central clearing operations which are due to begin later this year.

Mr Chow, 44, worked for Sun Hung Kai, one of the largest Hong Kong stockbrokers, for 15 years before joining the exchange as director of operation services in 1989.

Mr Chow will take over at a difficult time. The exchange is being forced to reform by the overall market watchdog, the Securities and Futures Commission, and this has angered many small Chinese brokers who fear their power base within the exchange is being eroded.

Mr Chow will have to reconcile this group of small brokers with large international brokers, who are set to gain greater influence once the reforms are in place at the start of next year. The exchange's relationship with the SFC has also been strained.

Mr Yuen announced his resignation earlier this month and is leaving to become chief executive of Hang Chong, a large trading group being taken over by a consortium led by Citic Pacific, the Hong Kong listed arm of China International Trust and Investment Corporation, China's main overseas investment vehicle.

Mr Yuen was the first professional manager brought into the exchang,e and his appointment was one of several changes introduced after the chairmanship of Mr Ronald Li designed to improve the exchange's image and levels of professionalism.

Cuba considers swaps to ease debt

By Damian Fraser in Havana

CUBA, facing an end to Soviet aid worth $2bn a year, is willing to discuss debt-equity swaps with foreign creditors in order to help reduce its $7bn of debt to the west.

"This is an idea we can discuss on a case-by-case basis," said Mr Raul Amado Blanco, vice-president of the National Bank of Cuba.

He said that while Cuba had had conversations with creditors on debt-equity swaps, there had as yet been no concrete proposals. But, he added, "technically it is something we can consider".

In the past couple of years, Cuba has been promoting foreign investment in tourism, and lately in light industry and bio-technology. Grupo Sol, the Spanish hotel group, is spending $150m in a joint venture with the Cuban government, building three hotels in the Veradero beach resort.

Mr Blanco reaffirmed that Cuba would not start meeting debt and interest payments – suspended since 1986 – unless the country received fresh money.

"The debt problem has to be resolved," he said, "using the same formula applied in other places in western and eastern Europe." He suggested that Cuba had been discriminated against for political reasons. "If there is no goodwill from other countries, we cannot pay," he said.

Cuba is also thought to owe more than $10bn to the Soviet Union. Talks on this and other commercial arrangements between the two countries are likely to start soon.

In the past few months, speculative buyers have emerged for Cuban debt to foreign banks. This has pushed the price of this debt up to about 5 cents on the dollar from 2 cents some months ago, although bankers in London say deals are still relatively rare.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on September 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102⅝	103⅛	-⅛	6.90
ALBERTA PROVINCE 9 3/8 95	600	106¼	106½		7.54
AUSTRIA 8 1/2 00	400	101⅞	102⅛	-⅛	8.19
BANK OF TOKYO 8 3/8 96	100	101⅜	101⅞	-⅛	7.98
BELGIUM 9 5/8 98	250	107⅝	108		8.11
BFCE 7 3/4 97	150	99⅞	100⅜	-⅛	7.76
BMP 8 5/8 94	300	103⅝	104⅛		7.12
BP CAPITAL 9 5/8 93	150	103⅞	104⅛	-⅛	7.02
CANADA 9 96	1000	105⅞	106⅛	+⅛	7.38
CARCO 9 1/4 96	650	102⅞	103⅜	+⅛	8.50
CCCE 9 1/4 95	300	105⅝	106⅛		7.28
COUNCIL EUROPE 8 96	100	100⅞	101⅛	-⅛	7.77
CREDIT FONCIER 9 1/2 99	300	107⅛	107½	-⅛	8.14
DENMARK 0 98	250	58	58⅛	-⅛	8.24
DENMARK 8 1/4 94	150	103⅛	103⅝	+⅛	6.97
ECSC 8 1/4 96	193	102⅝	103	-⅛	7.64
EEC 7 1/4 93	250	100⅞	101⅛		6.65
EIB 7 3/4 96	250	101⅝	102⅛		7.33
EIB 9 1/4 97	1000	106½	106⅞	+⅛	7.87
ELEC DE FRANCE 9 98	200	105⅛	105⅝	+⅛	7.92
EUROFIMA 9 1/4 96	100	104⅞	105⅜	-⅛	7.89
EXPORT DEV CORP 9 1/2 98	150	107⅛	107½		8.09
FINLAND 7 7/8 97	200	100½	101	+⅛	7.74
FINNISH EXPORT 9 3/8 95	200	106	106⅜	-⅛	7.61
FORD MOTOR CREDIT 9 1/2 93	300	103½	103⅞	-⅛	7.62
GEN ELEC CAPITAL 9 3/8 96	300	106⅛	106½	+⅛	7.76
GMAC 9 1/8 96	200	103⅝	104⅛	+⅛	8.11
HALIFAX 9 1/2 93	200	103⅝	104⅛	-⅛	7.20
IBM WORLD TRADE 7 5/8 93	150	101⅜	102⅛	+⅛	6.90
IND BK JAPAN FIN 7 7/8 97	200	99⅛	99⅝	+⅛	8.06
INTER AMER DEV 7 5/8 96	200	99⅞	100⅛	-⅛	7.66
ITALY 8 1/2 94	1500	103⅝	104	-⅛	7.10
JAPAN DEV BK 8 94	150	102⅛	102⅝	-⅛	7.02
KANSAI ELEC PWR 10 96	350	107⅞	108⅛	-⅛	7.88
LTCB 8 5/8 93	150	102	102½		7.10
NEW ZEALAND 8 93	100	101⅞	102⅛		6.95
NIPPON CRED BK 9 3/4 93	150	104⅝	105⅛	+⅛	7.25
NIPPON TEL & TEL 9 3/8 95	200	105⅛	106	-⅛	7.57
NORDIC INV BANK 9 93	200	103⅝	104⅛		6.75
ONTARIO HYDRO 11 5/8 94	200	109⅛	109⅝	-⅛	7.28
OSTER KONTROLLBANK 8 1/8 93	200	102⅛	102⅝		6.55
PETRO-CANADA 7 1/4 96	200	98⅛	99	+⅛	7.63
PRUDENTIAL RLTY SECS 0 99	365.216	54½	55	+⅛	8.64
QUEBEC HYDRO 9 3/4 98	150	107	107½	+⅛	8.39
QUEBEC PROV 9 98	200	102⅞	103⅜	+⅛	8.39
SAINSBURY 9 1/8 96	150	104⅞	105⅛	+⅛	7.91
SAS 10 99	200	103⅝	104⅛	+⅛	9.31
SBAB 9 1/2 95	500	105⅞	106⅛	-⅛	7.60
STATE BK STH AUST 9 1/4 93	100	102⅞	103⅜	-⅛	6.96
SUMITOMO BK CAP MKT 9 3/8 93	150	103⅝	104⅛	-⅛	7.36
SWEDEN 8 1/8 94	150	102⅞	103⅛	+⅛	7.04
SWEDISH EXPORT 9 5/8 93	100	103⅞	104⅛		6.66
TOKYO METROPOLIS 8 1/4 96	200	102	102½	-⅛	7.75
WORLD BANK 8 3/8 99	1500	102⅞	102⅞		8.08
WORLD BANK 8 3/4 97	1500	105⅛	105⅜		7.70
XEROX CORPN 8 3/8 96	100	99⅞	101	+⅛	8.44

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	100⅞	101⅛	-⅛	10.88
BULGARIAN TRADE BK 8 1/2 96	200	86	86½		12.51
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅝	+2⅛	8.49
DEUTSCHE FINANCE 7 1/2 95	1000	97½	97⅞		8.36
EIB 5 3/4 98	400	86⅛	86½		8.52
EIB 6 7/8 95	300	94⅛	94⅝		8.56
EUROFIMA 6 1/4 98	400	89⅛	89⅝	+⅛	8.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.49
KREDIETCORP 7 93 LFr	1000	95⅝	96⅝		9.62
WORLD BANK 8 96 LFr	1000	96½	97½	+⅛	8.94
BCE INC 9 5/8 93 C$	300	100⅛	100⅝		9.38
BELL CANADA 10 5/8 99 C$	150	102	102½	-⅛	10.23
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	100⅜		9.27
EIB 10 1/8 98 C$	130	100⅞	101⅛	-⅛	10.04
ELEC DE FRANCE 9 3/4 99 C$	275	98⅞	99⅛	+⅛	9.96
FORD CREDIT CANADA 10 94 C$	100	99⅛	99⅞	-⅛	10.29
GENERAL ELECT CAP 10 1/4 93 C$	175	101⅝	102⅛		9.33
ONTARIO HYDRO 10 7/8 99 C$	500	102⅞	103⅛		10.28
OSTER KONTROLLBANK 10 1/4 99 C$	150	101½	102		9.96
QUEBEC PROV 10 1/2 98 C$	200	101⅛	101⅝		10.23
ROYAL TRUSTCO 10 1/4 93 C$	100	99⅞	100⅛	-⅛	10.35
SWEDEN 9 3/4 93 C$	250	100⅞	101⅛	-⅛	9.08
BELGIUM 9 1/8 96 Ecu	1250	100⅝	100⅞	-⅛	8.92
CNT 7 3/8 93 Ecu	250	95⅝	96⅛	+⅛	10.15
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	98⅛	-⅞	9.99
DENMARK 7 5/8 96 Ecu	250	92	93⅛	+⅛	9.85
EEC 7 5/8 94 Ecu	200	96⅝	97⅛		9.19
EIB 10 97 Ecu	1125	104⅞	105		8.80
ITALY 10 3/4 00 Ecu	1000	110	110⅛	-⅛	9.01
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅛	101⅞	-⅛	8.83
BP AMERICA 12 1/4 96 A$	100	103⅛	104⅛	+⅛	11.09
COMM BK AUSTRALIA 13 3/4 99 A$	100	110⅞	111⅛	+⅛	11.59
COUNCIL EUROPE 13 93 A$	50	101⅛	102⅛	-1⅛	11.87
EKSPORTFINANS 12 3/8 95 A$	75	104⅛	104⅝	+⅛	10.92
FORD CRED AUST 13 93 A$	50	100⅝	101⅝	+⅛	12.36
MCDONALDS CANADA 15 95 A$	100	110⅛	110⅞	+⅛	11.42
NAT AUSTRALIA BANK 14 3/4 94 A$	150	107⅛	107⅝	+⅛	11.06
STATE BK NSW 14 1/4 99 A$	100	111½	111⅞	+⅛	11.94
VOLKSWAGEN INTL 15 94 A$	100	107⅝	108⅛	+⅛	11.36
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108⅛	+⅛	10.47
BARCLAYS JERSEY 9 1/2 93 £	250	98⅞	99⅛	+⅛	10.24
BRITISH GAS 12 3/4 95 £	300	106⅝	107⅛	+⅛	10.29
DEUTSCHE BK FIN 11 94 £	225	101⅞	102⅛	+⅛	10.00
EIB 10 97 £	386.5	99⅞	100⅜	+⅛	10.03
FORD CREDIT FUNDING 9 5/8 93 £	50	98	98½	+⅛	10.99
INTER AMER DEV 11 3/8 95 £	75	103⅞	104⅛	+⅛	10.03
ITALY 10 1/2 14 £	400	99⅞	100	+⅛	10.50
LAND SECS 9 1/2 07 £	200	87⅞	88⅛	+½	11.18
LEEDS PERMANENT 9 1/4 93 £	50	98	98½	+⅛	10.53
NORWAY 10 1/2 94 £	200	101	101⅜	+⅛	9.95
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98⅝	+⅛	10.78
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.56
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅞	+⅛	10.75
WORLD BANK 11 1/4 95 £	100	103½	104	+⅛	10.02
ABBEY NATIONAL 0 96 NZ$	100	60⅞	61⅛	+⅛	10.38
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	105⅛	106⅛	-⅛	9.83
AIDC 7 7/8 93 FFr	600	97⅛	97⅝		9.42
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101⅝	+⅛	9.51
EURATOM 7 5/8 98 FFr	500	93⅛	93⅝	+⅛	8.99

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.06	100.16	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.54	99.64	11.2050
BANCO ROMA 0.03 01	200	91.63	92.63	6.4675
BANCO SANTO SPIRITO 93	200	99.50	99.62	6.5000
BELGIUM 1/16 97 DM	500	100.01	100.13	9.5000
BFCE -0.02 96	350	99.94	100.04	6.1050
BMP 05	300	95.25	96.25	6.3125
BRITANNIA 1/10 96 £	150	99.12	99.32	11.2250
CCCE 0.6 ECU	200	99.95	100.05	9.7500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Bavarian bank in DM523m rights issue

By Katharine Campbell in Frankfurt

BAYERISCHE Vereinsbank, one of the two big Bavarian banks, is raising DM522.6m in its second rights issue this year.

In the spring of this year it sought DM445.5m in new equity from shareholders.

The latest issue is being made on a one-for-10 basis, at DM330 each. A total of 73.83m ordinary shares, together with 5.35m non-voting preferred shares, will be created.

While other financial institutions have opted to issue various forms of Genusscheine, or participating certificates, which are cheaper if the share price is underperforming, the Bavarians are apparently happy with the market's valuation of their shares.

The bank said that the rapid expansion in overall business experienced in the first six months of the year had continued over the summer.

In the east of Germany, Vereinsbank expects to make a profit this year, sooner than expected, as has been the case with other banks. It now has a network of over 44 branches across the Elbe, looking after 110,000 customers and 164,000 accounts.

It has taken in deposits in excess of DM3.1bn; credits amounting to DM5.3bn have been approved, of which DM2.7bn has been paid out.

ABC Comms to raise HK$115m

ABC Communications Holdings of Hong Kong plans to raise HK$115m through the issue of new shares at HK$1.25 each, Reuter reports from Hong Kong.

About HK$12.2m of the proceeds would be used to acquire an immediate interest in Matrix Telecom, an Australian public company with paging operations throughout South East Asia. A further HK$31.9m will be used for options in respect of Matric Telecom.

● The Hong Kong government will release a consultation paper by the end of the year on whether to introduce deposit insurance to the colony, according to Mr Hamish Macleod, Financial Secretary.

Referring to July's closure of Bank of Credit and Commerce Hong Kong, he said: "We must now take a serious look at what should be done to reduce the risk of such events happening again. I do believe that deposit insurance merits serious consideration."

Activity subdued after run of recent large offerings

By Simon London

NEW issue activity was subdued yesterday with few borrowers prepared to launch new issues after the recent run of large deals in the Ecu and Canadian dollar sectors. Expectations of supply in dollars before the end of the week also held the primary market in check.

INTERNATIONAL BONDS

The World Bank is expected to launch its $1.5bn global bond issue soon, possibly today, lead-managed by Credit Suisse First Boston and Goldman Sachs. Syndicate managers are expecting a five-year issue, probably priced just inside the European Investment Bank's recent $300m five-year Eurobond issue. The EIB deal was trading yesterday at a yield spread of 21 basis points over US Treasury bonds.

Demand from dollar-based investors is expected to be strong. However, many European and Far Eastern accounts regard the US currency as due for a period of downward correction and are not strong buyers of dollar bonds.

Yesterday, AB Electrolux, the Swedish consumer electronics group, launched a $100m five-year issue, lead-managed by Merrill Lynch International. The bonds carry a coupon of 8¼ per cent and were re-offered to investors at a fixed price of 99.75, where the yield spread over US government bonds is 110 basis points.

Participants in the deal reported strong retail-led demand for the paper, with buyers attracted by the generous yield and the familiar name of the borrower.

The Australian dollar sector of the market saw its fourth issue inside a week, following a full month without new supply. Yesterday, South Australia came with a A$100m 10-year issue, lead-managed by Hambros.

The bonds pay a coupon of 11¼ per cent and were priced at 11⅛, where the yield is 11.60. This offers a pick-up of 20 basis points over the Commonwealth bank of Australia's 10-year deal launched through Deutsche Bank on Monday.

The deal traded at less 1.95 bid, inside full fees of 2.125 per cent.

In the secondary market, Finland's Ecu500m 10-year issue, launched on Tuesday via J.P. Morgan Securities, continued to suffer and traded down to 99.88 bid from a fixed reoffer price of 99.25, outside of full fees 32.5 basis points. Seasoned benchmarks such as the UK government's 10-year Ecu bond issue also lost around 10 basis points during the day.

Hydro Quebec's C$1.1bn global bond issue was priced with a 10½ per cent coupon and was re-offered to investors at a fixed price of 99.485. The bonds traded at around this level throughout the day.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
AB Electrolux(a)†	100	8¼	101.095	1996	1⅞/1½	Merrill Lynch
Han Yang Chemical Corp(b)§†	56	3¼	100	2006	2½/1½	Nikko Secs.
CANADIAN DOLLARS						
Hydro Quebec(c)†	1.1bn	10½	99.485	2021	½/0.17	Merrill Lynch
AUSTRALIAN DOLLARS						
Sth.Aust.Govt.Fin.Authority(a)†	100	11¼	100⅛	2001	2⅛/1½	Hambros Bank
DANISH KRONER						
Den Danske Bank(a)†	300	9¾	101⅞	1995	1⅝/1	Den Danske Bank
SWISS FRANCS						
Toa Corp(d)★★♦	70	5	100	1995	1⅝/1½	Bca.d'Svizzera Italiana
Kyoritsu Ceramic Mat.(e)★★♦	25	5	100	1995	-	Bank Julius Baer & Co.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon was indicated at 3¼%-3¾%. Conversion premium fixed at 10%. Callable 1/1/94 at 104% declining 1% annually. Put option 4/10/96 at 125% to yield 7½%, and 4/10/98 at 159% to yield 9½%. c) Global issue. Non-callable. d) Callable 17/10/92 at 101½% declining ¼% semi-annually. e) Callable 3/10/93 at 101% declining ¼% semi-annually.

Spain introduces novel contract

SPAIN'S financial futures market will introduce its first currency contracts tomorrow, based on peseta-dollar and peseta-D-Mark trading, AP-DJ reports from Madrid.

Contracts will be settled on a cash basis with the value of transfers determined on the second business day prior to the third Wednesday of the month in which the contract expires.

Delivery will occur four times over the year, in December, March, June and September.

"There's no tradition in Spain for sophisticated currency speculation, so it's difficult to predict the volume of contracts we'll move," said one trader. "But we're optimistic we'll trade a minimum of 1,000 contracts a day."

The Madrid futures market was founded last year with a capital of Pta1.5bn. It has 45 members, primarily from Spain's largest commercial and savings banks.

Currently, the market trades 90-day contracts for three- and five-year Treasury bonds with daily trading volume stands at around 3,500 contracts.

● The Amsterdam Financial Futures Market (FTA) is to launch a dollar futures contract on September 27, Reuter reports from Amsterdam.

The contracts will have an underlying value of $25,000, but prices will be quoted in guilders.

The heat is on for Italian bond futures

Tracy Corrigan reports on the timely introduction of the new contracts

INTEREST in Italian bond futures is surpassing all expectations as the Italian government bond market roars ahead.

The first Italian bond futures contract, launched two weeks ago by the Matif, the Paris-based exchange, has already attracted a large portion of business. Average daily volume so far exceeds 8,000 contracts, and open interest stood at 7,500 contracts (as at September 17).

So the London International Financial Futures Exchange, which launches its own Italian bond futures contract today, has some ground to make up.

Dealers say the Matif contract has spurred trading activity in Italian bonds. The existing cash market in Italian bonds is liquid. But it is expensive to take short positions.

The advent of a futures market resolves these problems. So far, much of the heavy volume of futures business on the Matif has been attributed to inter-dealer activity (rather than buying by institutional investors).

The launch of the two futures contracts has proved timely. Changes to the system for obtaining withholding tax refunds on Italian bonds, announced in late April, have taken three months to bear fruit. But investors' once-shaky faith in the new system has grown. Many analysts believe that at some stage Italy will have to fall in line with other European markets by paying interest gross to non-resident investors.

Further, the issue of European economic convergence, which faded during the summer, has reappeared, and investors in high-yielding Italian bonds stand to be among the greatest beneficiaries, as Italian interest rates fall towards the European mean.

Many analysts say that, considering the market's prospects, Italian bonds still look remarkably cheap. Long-term bond yields are around 13 per cent gross – the highest yields available in any large, actively traded market. Nomura Research expects net yields to fall from 11.3 per cent to 9 per cent by the end of 1992. The inflation level of 6 per cent is projected to fall to around 5½ per cent this year.

For the time being, the bulk of interest in the market has been from European investors. Since the lira entered the narrow band of the Exchange Rate Mechanism early in 1990, currency risk for European investors is low. However, there has also been some interest from US investors seeking high yielding bond investments, now that the US junk bond market is defunct. Japanese investors appear to be lagging.

As the Matif and Liffe contracts get under way, the Italian authorities are planning their own contract, although this is likely to be so far behind the other two, that, even if Italian banks are persuaded to use it, it will be hard to compete with two proven exchanges.

In any case, three contracts for one government bond market is impractical. Even given the strong level of demand for the product, most analysts agree that two contracts are unlikely to survive. "There is not really room for two contracts, and if one starts to become illiquid, it will be finished," said one futures trader.

However, at the outset, the differences in contract specifications, particularly the underlying bonds, are likely to create arbitrage opportunities between the two contracts.

"It's hard to choose between them. Liffe and the Matif are both very efficient, and their fees are very similar," one trader said. However, some traders say the longer maturity of deliverable bonds in the Liffe contract (8-10½ years, compared with 6-10 years) will favour speculative trading.

In addition, a large proportion of trading is conducted in London. Total turnover in BTPs (Buoni del Tesoro Poliennali) - the long-term fixed-rate bonds which are the underlying instruments for both contracts - is more than L6,000bn daily, around 40 per cent through London.

● The Matif said yesterday that the 12 per cent BTP, due September 1998, will be in the long term bond pool for the March and June 1992 delivery month. The Italian Treasury launched the L2,500bn issue on September 16.

The Matif is also to extend open outcry hours for its long-term interest rate contracts. From today, closing will be 4.30pm local time instead of 4pm.

Kuwait seeks $500m facility

By Sara Webb

KUWAIT is understood to be discussing a $500m short-term credit facility with Citibank to help cover the cost of reconstruction in the wake of the Gulf war.

It is estimated that the cost of rebuilding Kuwait could run to between $20bn and $30bn. As a result, Kuwait is expected to borrow heavily in the international capital markets.

Banking sources said the Kuwaiti authorities have been in negotiations with Citibank, but Citibank refused to comment.

The sources said that Kuwait has raised some short-term financing since the end of the Gulf war. It is understood to have sold about $1bn of its assets, including bonds, shares and commercial paper held in the main financial centres, and has also arranged short-term funding in the form of repurchase agreements.

However, many bankers expect Kuwait to borrow between $1bn and $2bn in the syndicated loan market soon. Several leading banks have held discussions with the Kuwaiti authorities about the possibility of arranging a large syndicated credit.

Kuwait is keen to borrow in the international capital markets as cheaply as possible without having to use any of its assets as collateral.

J. P. Morgan recently arranged a three-year $4.5bn syndicated loan for Saudi Arabia at a margin of ⅜ point over the London interbank offered rate (Libor).

However, bankers argue that Kuwait is unlikely to be able to borrow as cheaply as Saudi Arabia. Under the Basle international capital adequacy rules – which stipulate that banks set aside varying amounts of capital when they make loans according to the status of the borrower – Kuwait has a full risk weighting whereas Saudi Arabia is zero-rated.

● Standard Chartered, the UK bank, is launching a new division to unify its approach to financial services worldwide, Reuter reports.

The division, Standard Chartered Equitor Group, formerly known as Chartered Financial Holdings, would bring together custody, private banking, asset management and trustee services, it said in a statement.

Mr Michael Brogan, new Equitor managing director, said he expected it to provide "real revenue growth" for Standard Chartered.

Equitor would be based in Hong Kong with operations in 16 countries.

NatWest increases size of US preference share issue

By Simon London

NATIONAL Westminster Bank has increased the size of its US preference shares issue from $200m to $250m, a move which will encourage other European banks hoping to raise capital in the US market.

The issue was also priced yesterday to pay an annual dividend rate of 10.64 per cent, a lower cost of capital than achieved by other UK banks in the US market.

The issue was launched last week through a syndicate of banks led by Merrill Lynch, and has been placed with both retail and institutional investors.

The non-cumulative, perpetual preference shares count as core or Tier 1 capital for the bank under the Basle guidelines on international bank capital adequacy, increasing the bank's capacity to lend.

The issue is National Westminster's first issue of US preference shares although other UK banks have been active in the market this year.

In March, Barclays made a $200m issue, which currently yields just under 11 per cent, bringing its total outstanding dollar preference capital to nearly $1bn. Last month, Royal Bank of Scotland made a $200m issue.

Banco Santander recently became the first continental European bank to tap this important valuable source of core capital.

● Banco Bilbao Vizcaya has introduced four peseta-denominated investment funds offering fiscal incentives for investors under the new Spanish income tax law.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Wed Sep 18 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Sep 17 Index No.	Mon Sep 16 Index No.	Fri Sep 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (183)	854.19	-0.2	9.46	5.65	13.10	28.07	856.30	862.49	867.23	687.45
2	Building Materials (24)	1104.13	-1.3	8.11	5.63	15.72	33.99	1118.87	1125.38	1124.99	844.48
3	Contracting, Construction (31)	1184.32	....	8.32	6.37	16.30	42.94	1184.80	1184.04	1174.77	1045.23
4	Electricals (11)	2405.17	....	9.53	5.49	13.45	69.65	2404.47	2402.53	2429.23	1891.33
5	Electronics (24)	1764.85	-0.4	9.99	5.10	12.54	49.11	1771.41	1774.65	1775.79	1534.80
6	Engineering-Aerospace (8)	373.11	+1.2	16.57	6.72	7.29	14.36	368.73	374.75	378.57	414.30
7	Engineering-General (45)	494.56	....	10.47	5.18	11.71	14.61	494.76	498.49	501.51	385.96
8	Metals and Metal Forming (8)	453.56	+0.7	14.45	7.79	8.40	17.48	450.26	453.78	449.40	403.40
9	Motors (12)	362.33	+0.7	8.27	6.63	15.42	14.36	359.65	362.48	364.70	281.67
10	Other Industrial Materials (20)	1617.48	-0.3	7.90	5.04	15.02	55.15	1622.47	1642.26	1669.63	1159.10
21	CONSUMER GROUP (188)	1543.97	-0.8	7.49	3.62	16.50	30.65	1556.25	1569.43	1580.36	1162.77
22	Brewers and Distillers (22)	1885.20	-0.5	8.15	3.55	14.96	34.88	1895.11	1907.50	1920.02	1419.05
25	Food Manufacturing (19)	1234.24	-0.3	9.31	4.04	13.26	26.32	1237.82	1240.04	1244.89	997.26
26	Food Retailing (17)	2554.95	-3.0	8.68	3.30	15.07	45.01	2633.40	2712.32	2727.97	2398.63
27	Health and Household (22)	3656.64	-0.3	5.53	2.58	20.73	58.20	3668.94	3695.62	3736.16	2324.15
29	Hotels and Leisure (23)	1354.66	-0.8	8.06	5.21	15.10	37.66	1365.42	1376.36	1379.07	1161.86
30	Media (26)	1544.30	+0.7	7.14	4.60	18.25	41.89	1533.82	1533.76	1531.02	0.00
31	Packaging, Paper & Printing (18)	759.07	-0.1	7.32	4.27	16.59	22.26	759.57	759.98	767.86	489.44
34	Stores (32)	997.83	-1.7	7.61	3.73	17.11	18.14	1015.46	1025.54	1036.49	747.62
35	Textiles (9)	633.30	-0.7	7.27	4.91	17.45	15.16	637.90	643.32	645.92	405.47
40	OTHER GROUPS (109)	1282.88	-0.1	9.42	5.06	13.31	35.14	1284.17	1279.09	1280.58	970.51
41	Business Services (12)	1443.52	+0.4	7.47	4.55	16.57	30.08	1437.89	1443.24	1437.37	0.00
42	Chemicals (21)	1431.34	-0.3	7.10	5.04	17.41	47.20	1435.32	1440.08	1468.54	977.81
43	Conglomerates (10)	1521.45	+1.6	9.63	6.93	12.58	37.80	1498.15	1483.32	1478.08	1282.74
44	Transport (13)	2362.87	-0.4	7.22	4.81	17.16	66.14	2372.91	2375.15	2368.98	1867.24
45	Electricity (16)	1249.50	+0.5	14.13	5.21	9.08	27.53	1243.69	1244.56	1243.88	0.00
46	Telephone Networks(4)	1554.45	-0.5	9.65	3.90	13.57	28.34	1563.00	1540.75	1524.30	1078.07
47	Water(10)	2499.09	-1.3	16.36	6.16	6.77	118.37	2532.39	2525.80	2528.70	1989.45
48	Miscellaneous (23)	1859.08	-0.5	5.38	5.33	25.71	68.99	1868.06	1876.34	1908.70	1479.72
49	INDUSTRIAL GROUP (480)	1293.01	-0.5	8.49	4.48	14.63	32.07	1299.00	1304.46	1310.74	988.22
51	Oil & Gas (20)	2396.40	+0.3	10.90	5.79	12.13	92.84	2389.71	2398.71	2441.00	2458.66
59	500 SHARE INDEX (500)	1388.29	-0.4	8.79	4.64	14.27	36.86	1393.47	1399.25	1408.16	1107.39
61	FINANCIAL GROUP (92)	830.34	-0.1	-	5.63	-	29.98	831.53	831.29	835.64	664.93
62	Banks (9)	961.34	-0.6	4.43	5.55	42.32	36.83	966.88	969.13	977.67	704.16
65	Insurance (Life) (7)	1587.96	-0.3	-	5.33	-	60.57	1592.32	1570.43	1593.35	1298.50
66	Insurance (Composite) (6)	640.58	-0.1	-	6.87	-	28.25	641.33	648.07	648.36	566.94
67	Insurance (Brokers) (9)	1168.04	....	6.98	5.78	18.75	41.27	1167.85	1171.00	1179.30	788.72
68	Merchant Banks (7)	467.59	+1.3	-	4.48	-	12.54	461.68	460.36	460.33	344.03
69	Property (36)	970.66	+0.6	5.72	4.81	24.62	22.40	964.43	957.99	951.34	881.88
70	Other Financial (18)	268.50	+0.2	10.68	6.77	11.76	9.28	268.09	267.71	268.96	246.53
71	Investment Trusts (69)	1238.07	-0.4	-	3.49	-	25.50	1243.46	1243.11	1251.78	1020.96
99	ALL-SHARE INDEX (661)	1252.69	-0.3	-	4.74	-	34.68	1257.00	1261.32	1269.19	1000.73

		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 17	Sep 16	Sep 13	Sep 12	Sep 11	Year ago
1	FT-SE 100 SHARE INDEX♦	2583.6	-10.8	2604.4	2583.6	2594.4	2606.0	2625.8	2641.9	2626.6	2065.8

FIXED INTEREST

	PRICE INDICES	Wed Sep 18	Day's change %	Tue Sep 17	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	122.57	+0.10	122.74	2.06	8.52
2	5-15 years (27)	136.02	+0.43	135.60	1.91	10.03
3	Over 15 years (9)	144.81	+0.99	143.39	0.75	10.60
4	Irredeemables (6)	162.98	+1.36	160.80	2.92	8.83
5	All stocks (70)	134.13	+0.38	133.80	1.89	9.67
	Index-Linked					
6	Up to 5 years (2)	164.42	+0.10	164.26	0.33	2.72
7	Over 5 years (9)	148.48	+0.21	148.17	0.59	3.42
8	All stocks (11)	149.55	+0.19	149.27	0.55	3.40
9	Debs & Loans (58)	114.94	-0.25	115.22	2.17	7.83

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 18	Tue Sep 17	Year ago (approx.)
	British Government				
1	Low	5 years	8.58	8.56	11.02
2	Coupons	15 years	9.24	9.35	11.02
3	(0%-7¾%)	20 years	9.24	9.35	11.02
4	Medium	5 years	9.59	9.64	12.10
5	Coupons	15 years	9.41	9.51	11.58
6	(8%-10¾%)	20 years	9.35	9.47	11.29
7	High	5 years	9.78	9.83	12.20
8	Coupons	15 years	9.50	9.59	11.86
9	(11%-)	20 years	9.41	9.52	11.61
10	Irredeemables	†	9.43	9.56	11.13
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.95	3.97	4.67
12	Inflation rate 5%	Over 5 yrs.	4.21	4.22	4.34
13	Inflation rate 10%	Up to 5 yrs.	3.30	3.32	3.42
14	Inflation rate 10%	Over 5 yrs.	4.02	4.04	4.14
15	Debs &	5 years	11.31	11.29	13.96
16	Loans	15 years	11.06	11.01	13.07
17		25 years	10.83	10.79	12.74

♦Opening index 2593.3; 9 am 2598.0; 10 am 2602.5; 11 am 2603.1; Noon 2604.2; 1 pm 2602.6; 2 pm 2597.2; 2.30 pm 2593.4; 3 pm 2588.3; 4.10 pm 2585.3; (a) 12.19pm (b) 4.29pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	1	15
Corporations, Dominion and Foreign Bonds	9	1	10
Industrials	307	269	927
Financial and Properties	125	133	501
Oils	21	21	46
Plantations	0	0	10
Mines	47	12	96
Others	50	36	51
Totals	625	473	1,656

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	195	188	Adam & Harvey	195	+2	W10.0	5.9	6.8	3.3
25	F.P.	-	42	29	#Airbreak Leisure 5p	42	+2	nL75	1.8	5.6	10.9
†	F.P.	-	110	105	Capital Ventures 1p	110		-	-	-	-
4	F.P.	-	9½	4¼	Culver 1p	5		-	-	-	-
-	F.P.	-	23	21	Eng. & Scott. Wrnts.	23		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	266	+2	-	-	-	-
100	F.P.	-	110	105	Gartmore Scotland Inc.	110		M11.6	-	14.1	-
100	F.P.	-	99	85	Do. Capital	97		-	-	-	-
-	F.P.	-	£655	£605	Do. Units	£650	+10	-	-	-	-
146	F.P.	-	166	148	Irish Life Ir10p	165	+3	HQ102%	-	5.5	-
100	F.P.	-	107	101	Kleinwort High Inc. 5p	107		M7.5	-	9.3	-
§290	F.P.	-	323	297	Lowndes Lambert 5p	316		L11.5	1.9	4.9	14.8
††	F.P.	-	47	47	Scottish Value Trust	47		a1.8	0.8	5.1	34.6
50	F.P.	-	54	47	#Simpsons of Cornhill 5p	48		-	-	-	14.9
1	F.P.	-	¾	½	#Standco 1p	½		-	-	-	-
100	F.P.	-	106	100	US Smaller Cos.	106		-	-	-	-
100	F.P.	-	37	23	Do. Warrants	37		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100	F.P.	-	100	98½	Caseborne Inds. 10½pc Bd. Deb. 2001	98½	
100	F.P.	-	90	79½	Claybithe 9½pc Cnv. Ln. 2000-01	79½	
100p	F.P.	-	111½p	104½p	Gartmore Scotland Zero Div Prf.	111½p	-½
100p	F.P.	-	109½p	102½p	Kleinwort High Income Zero Div Prf.	109¾p	-¼
100p	F.P.	-	103½p	102½p	Nat. West Bank 9pc Prf Series A	102¾	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
285	Nil	-	70pm	53pm	British Polythene	70pm	-
31	Nil	-	5pm	3pm	Kleen-E-Zee	3pm	
220	Nil	-	49pm	42pm	Ladbroke 10p	42pm	-2
25	Nil	-	3pm	½pm	Mayflower Corp. 5p	2½pm	+1½
435	Nil	-	102pm	76pm	P & O Defd. £1	76pm	-9

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". ↑ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Sept. 9
● Last Dealings Sept. 20
● Last Declarations Dec. 5
● For settlement Dec. 16

For rate indications see end of London Share Service

Calls in Aviva Pet., Clayform Props., Control Sec., Explaura, Natl. Home Loans, Saatchi & Saatchi, Thames TV and WPP. Put in Maxwell Comm. Put and call in WPP.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*590)	550	52	67½	82½	7½	17	23½
	600	24½	37½	54½	27	37½	43½
	650	11	20½	32½	64½	66½	72½
ASDA (*71)	80	3½	6	8	10½	12	13
	90	1	4	5	19	19½	19½
	100	1	3	3½	29½	29½	29½
Brit. Airways (*183)	160	25½	27½	33½	1	5	7
	180	10½	15	20½	6	11½	13
	200	1½	7	12	17	22½	24½
SmKl Beecham A (*762)	750	31½	55½	73½	12½	25	31½
	800	9½	29	47½	42½	50½	55½
	850	2½	14½	29½	90½	90½	91½
Boots (*422)	390	37	44	56	1½	7	9
	420	14½	25½	37	9½	16½	21
	460	3	10	19½	38½	42	43½
B.P. (*330)	330	8	16	21½	6½	12½	16½
	360	1	5½	9½	30½	32½	34½
	390	½	1½	-	60	60	-
British Steel (*126)	120	7½	10½	13½	1½	4½	6
	130	2½	5½	8½	5½	9½	11
	140	½	2	5	14½	17	18
Bass (*960)	950	-	47½	70½	-	37½	44½
	977	17½	-	-	30½	-	-
	1000	-	27½	46½	-	68½	73½
C & Wire (*555)	500	55½	70	-	3	8½	-
	550	21	37½	53½	12½	23	29
	600	4	16½	32	46	54½	58½
Courtaulds (*488)	460	35	48	62	3½	10½	14½
	500	10½	25	39	18½	26	28½
Com. Union (*513)	500	22½	39½	47½	5½	11½	19
	550	2½	14½	22	37	38½	43½
Fisons (*464)	460	17	31	43	9½	18½	24
	500	3½	14½	24½	37	42	45
GKN (*380)	360	25	38½	44	4	10½	18½
	390	8	25	28	18	24	32½
Grand Met. (*809)	800	29½	52½	67½	15	29½	36½
	850	9	31½	43½	42½	57	62½
[illegible]							
Land Secs (*535)	500	39½	46½	58½	1½	7	10
	550	6	16½	28	19½	26½	32½
M & S (*269)	260	12½	21½	29½	2½	7½	9½
	280	4½	10½	17½	12½	16½	18½
Sainsbury (*353)	330	-	-	45	-	-	7
	356	7	18½	-	10	14½	-
Shell Trans. (*505)	500	17	32½	37½	6½	13½	20
	550	1½	9½	13½	47½	47½	49½
Storehouse (*120)	120	4½	9	12½	5	9	10
	130	1½	5½	8½	11½	14½	14½
Trafalgar (*238)	231	13½	20½	-	6½	17½	-
	240	-	-	22½	-	-	26
Utd. Biscuits (*402)	390	18	29	37	7	12	17
	420	5	14½	22	24	27½	33½
Unilever (*745)	700	52½	71½	-	2½	8½	-
	750	19	38½	52½	16½	25½	33½

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Ultramar (*247)	240	14	22	25	4	7	12½
	260	5	11½	14½	15	17	23
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*404)	390	25½	38½	43½	14½	19½	29
	420	11½	23	28	29½	38½	46½
BAA (*455)	420	44	52	66	4	10½	14
	460	16½	29	42	16	24	28
BAT Inds (*643)	600	55	-	-	3	-	-
	650	21½	42½	51½	21	26½	33½
BTR (*424)	420	21	33	39	11	14½	21
	460	4½	14½	21	36	38	43½
Brit. Telecom (*395)	390	18½	26½	34½	9½	16½	19½
	420	6	13	20½	27½	31½	36½
Cadbury Sch (*419)	390	42½	56½	59½	7½	13½	17
	420	22	37½	42½	18	24	28½
Eastern Elec (*183)	180	11½	16½	19½	4½	9	11
	200	4½	7	11½	16½	20½	21½
Guinness (*998)	950	63½	91½	106	11½	20	29½
	1000	38	60	78½	30½	39½	49½
GEC (*190)	180	13½	16½	21½	2½	5½	7
	200	3½	7½	12½	12½	14½	15½
Hanson (*224)	220	11½	15½	18½	5	11½	13
	240	3½	6½	11½	17	24	25
LASMO (*298)	300	15½	25	30	12½	16½	21½
	330	5	11½	16½	33½	35½	37½
Lucas Inds (*148)	140	14½	14½	18½	5½	6½	8½
	160	3½	5½	9½	15½	17½	20½
P. & O. (*512)	472	49½	64	-	3½	10	-
	519	20	37½	42½	21½	28	38
Pilkington (*165)	160	14½	20½	25	5½	11	12½
	180	5½	10½	15½	16½	22	23½
Prudential (*251)	240	19½	28	31½	3½	5½	9
	260	7	15½	19½	11½	13½	17½
[illegible]							
(*385)	390	-	-	27	-	-	19
Vodafone (*356)	330	35½	42½	-	5	9½	-
	360	17½	27	-	16½	22½	-
Option		**Sep**	**Dec**	**Mar**	**Sep**	**Dec**	**Mar**
Abbey Nat. (*293)	280	13	24½	31	½	5	9
	300	1½	12½	19½	8½	14½	17½
Amstrad (*53)	50	3½	7½	9½	½	3½	4½
	60	½	2½	5½	7	10	11
Barclays (*463)	460	7½	28	40½	3½	14	24
	500	½	11½	22	37½	39½	45½
Blue Circle (*264)	260	6½	18½	27	2	9	12½
	280	½	9½	17½	15½	20½	22½
British Gas (*278)	260	17½	25	29½	½	3½	6
	280	2½	13	18	5	8	12½
Dixons (*268)	260	10½	23½	32	2½	9½	13½
	280	1½	13½	21½	11½	18½	22

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel (*505)	500	12½	39	60	13	32½	39
	550	½	20	-	57½	64½	-
Glaxo (*1331)	1300	36½	98½	136	6½	36	50½
	1350	11	68½	104	70½	86½	96½
Hawker Sidd. (*606)	600	12	39½	56½	7½	27½	33½
	650	3	20	32½	44	55½	58½
Hillsdown (*256)	240	16½	23	31	½	6	9
	260	2½	12½	18½	6½	14½	18½
Lonrho (*232)	220	12½	22½	25	1	5	11
	240	1½	11	14½	9	14	22½
Midland Bk (*246)	240	7	19½	28	2½	10	13
	260	½	11	18½	15½	19½	23½
National Power (*156)	140	16	19½	22½	½	1½	3½
	160	1	9	11	5	7	10½
Reuters (*936)	900	35	82½	110	1½	26½	41½
	950	9	52½	80½	20½	46½	63
R. Royce (*143)	140	4½	11	15	2	6	10½
	160	½	4	7½	17½	18	22
Scottish Power (*109)	100	9	13	15½	½	1½	3½
	110	1½	6½	10	2½	5½	7
Sears (*92)	90	3	6	9	1½	4½	5½
	100	½	2½	5	8	9½	11½
THF (*271)	260	10	18½	25½	1½	7	9
	280	1½	9	16½	11	18	18½
Thorn EMI (*795)	750	46½	69½	81½	1½	10	17
	800	9	39½	51½	11½	30½	37½
TSB (*148)	140	8	13½	16½	½	2½	6
	160	½	4½	7	12	13½	16½
Vaal Reefs (*$64)	60	5	8½	11	½	4½	6½
	70	1	4½	6½	6½	9½	11½
Wellcome (*745)	700	45½	70½	95½	1½	18	28
	750	9½	43½	67	17½	39½	46½

EURO FT-SE INDEX (*2580)

[illegible]

Dec	20	-	38	-	70½	-	122	-
Mar	32½	-	57	-	92	-	130	-
Jun	57½	-	80	-	110	-	146	-

FT-SE INDEX (*2583)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Sep	203	154	106	62	25	7½	1½	½
Oct	220	175	131	93	60½	35½	17½	9
Nov	237	193	154	119	85½	57½	38	24
Dec	263	220	181	142	109	80½	59½	39
Jan †	350	-	280	-	215	-	160	-
PUTS								
Sep	½	1½	4	9	26½	64½	114	164
Oct	10	12	20½	29½	49	77½	116	166
Nov	15	20	30	43	59	86	120	168
Dec	22	30½	38	51½	71½	96½	130	168
Jan †	59	-	80	-	115	-	165	-

September 18 Total Contracts 28,192
Calls 16,114 Puts 12,078
FT-SE Index Calls 1,974 Puts 3,516
Euro FT-SE Calls 192 Puts 265
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

UK COMPANY NEWS

Kwik-Fit beats best predictions with rise to £17m

By Peggy Hollinger

KWIK-FIT Holdings, the automotive parts retailer, yesterday beat analysts' most optimistic predictions with a 67 per cent rise in interim profits to £16.8m.

Analysts upgraded forecasts for the full year from £26m to about £31m. The shares jumped 14p to close the day at 169p.

The rise from £10.1m was achieved by cutting costs and improving margins throughout the group, said Mr Tom Farmer, chairman.

However, the slowdown in new car sales and the increasing reliance of consumers on used vehicles had helped.

Turnover for the six months to August 31 was up 16 per cent to £130.3m. Price rises of about 8 per cent accounted for half of the increase.

Operating margins widened from 9.9 per cent to 13.8 per cent.

Mr Farmer said this was partly due to increased sales of higher margin products such as braking systems, which were up 20 per cent.

Tyre and exhaust sales, the largest part of the business, rose by 18 per cent.

The group said it expected tyre sales to benefit in the second half from legislation in January requiring deeper tread depths.

The fleet business, which services company cars, had shown a strong advance with sales up 32 per cent.

The expansion programme of previous years had been curtailed to help cut costs, although some 38 outlets had been opened in the previous 12 months.

Kwik-Fit claims 594 retail outlets in the UK, the Irish Republic, the Netherlands and Belgium, and plans to have 615 by the year-end.

Mr Farmer said that by the beginning of next year the group would see expansion activity again.

Capital expenditure during the six months was £7m, and would be about £11m by the end of the year.

In 1990, Kwik-Fit spent £34m on fixed assets.

In respect of the second half, Mr Farmer said: "We had a good six months last year and there is no reason to believe that we will not have a good six months this year."

Debt fell from £20m at the year-end to £15m.

Interest charges were more than halved to £1.3m (£2.9m), and were covered more than 14 times by operating profits of £18m (£12m).

Earnings per share rose 78 per cent to 7.01p and the interim dividend is increased by 0.25p to 1.35p.

See Lex

Trevor Humphries

Beazer and Hanson talk strategy

The world has changed dramatically in the space of a few days for Brian Beazer (pictured left), chairman and chief executive of Beazer, the construction and building materials group, for which Hanson Group made a recommended £351.4m takeover on Monday, writes Andrew Taylor, Construction Correspondent.

Yesterday Mr Beazer was at Grosvenor Place, Hanson's London headquarters, to meet with Lord Hanson, the group's chairman (pictured right) to discuss strategy. It was the first time the two men had met since the bid was announced on Monday.

Seven days ago Mr Beazer was facing the dismemberment of the housebuilding, contracting, property development and aggregates businesses he had constructed during the 1980s via a series of acquisitions in the UK and the US.

Beazer, with debts of just over £1bn and shareholders funds of £1.1bn, had proposed to float off its UK based housebuilding, contracting and property businesses – until Lord Hanson stepped in.

The proceeds from the flotation, expected to raise approaching £500m, were to have been used to reduce debts of the group which would have retained its US aggregates businesses.

Instead Hanson, which already owns ARC, one of the top four UK aggregates companies, is poised to take over the second largest aggregates operation in the US – which Mr Beazer would continue to run but under changed ownership. The two men clearly had a lot to talk about yesterday.

Further 10,000 jobs could go at BT

By Roland Rudd

BRITISH Telecommunications should shed another 10,000 jobs on top of the 10,000 it is already planning this year, according to research published yesterday by SG Warburg Securities.

Warburg Securities is advising the government on the sale of about half of its BT shareholding, worth more than £5bn, in November.

BT reduced its workforce by 18,800 last year and has indicated that another 10,000 will go. Yesterday it confirmed that an additional 10,000 job losses were possible.

Warburg Securities believes that the remaining £178m provision for redundancies – which was put aside under BT's reorganisation programme, Operation Sovereign – will cover another 10,000 job losses.

Compared with other large telecommunication companies BT is significantly less efficient. Mr James Golob, Warburg Securities' director, said: "BT's manning levels are out of line with the rest of the world."

The telecommunications industry measures efficiency levels by comparing the number of service customer lines per employee. BT's average is 124 compared with the continental European telecommunication operator's average of 186 and the US telecommunication operator's 221.

Part of the gulf can be put down to different working practices in regard to civil engineering and installation, with more work subcontracted. But Mr Golob believes that working practices could only account for one third of the difference.

Mr Barry Romeril, BT's finance director, is determined to cut costs further. Warburg believes the temptation to use up the provisions in Operation Sovereign, which would not affect the profit and loss account, will be irresistible.

Warburg Securities is bullish about BT's prospects for two main reasons.

● It says the regulation by Oftel, the Office of Telecommunications, is tough but workable. Mr Golob argues that further regulation will not significantly affect BT's market share because of a unwillingness by its rivals to invest in telecommunications. Apart from international calls, Mr Golob said most potential competitors would find it too expensive to take on BT.

● The political risk of a Labour government has been over-stated. Mr Golob believes Labour would be a less doctrinaire supporter of de-regulation and would favour UK companies over foreign investors.

Steel Burrill Jones up 12% to £5.29m despite weak dollar

By Richard Lapper

IN SPITE OF continuing softness in international insurance markets, falling interest rates, and the weakness of the dollar, Steel Burrill Jones, the insurance and reinsurance broker, yesterday reported a 12 per cent increase in interim profits from £4.73m to £5.29m pre-tax.

Earnings per share for the six months to end-June rose to 9.92p (9.89p), although the issue of shares over the past 12 months limited the rate of increase. The interim dividend is increased to 4.25p (4p).

The results were adversely affected by the weakness of the dollar against sterling. Higher growth in operating profits to £2.44m (£1.44m) was only partially offset by slower growth in investment and other income to £2.84m (£3.1m), with average sterling and dollar interest rates significantly below 1990 levels.

Turnover climbed by 36 per cent to £20.5m (£15.1m), struck before a 32 per cent rise in expenses to £18.1m (£13.7m).

The growth partially reflected effects of acquisitions made in 1990, including full contributions from the WS Moody group, acquired in August 1990, and from SBJ Speciality and Martin Perry, which were bought in the first half of 1990.

The Moody acquisition boosted income in the UK corporate risks and employee benefits areas, which accounts for about 25 per cent of brokerage income.

Expenses have been kept in check with SBJ retaining only about 100 of the 220 staff who were part of the WS Moody group.

SBJ's non-marine broking activities grew substantially as a result of the expansion into international facultative reinsurance and wholesale business. That rating environment is mixed with a contraction in the marine reinsurance market offsetting the beneficial effect of rate rises.

Although the energy broking business did well, income from the US was depressed by the competitive state of the market.

Mr Tony Keys, finance director, was bearish about insurance rates for industrial risks business in both the UK and the US. "There is no sign of a significant upturn in rating. It is not there in the market-place."

The weakness of the dollar against sterling had its effect on the results. Dollar income – which accounts for 35 per cent of the total – was sold or valued at \$1.70 per £1, producing an exchange gain against the average rate of exchange for the period of \$1.78 to the £1. This compares with \$1.59 to the £1 in the first half of 1990.

Low take-up of W&M's offer for Invergordon

By Bronwen Maddox

INVERGORDON Distillers, the Scotch whisky group fighting a £286m takeover bid from Whyte & Mackay, announced that by October 17 Whyte & Mackay had received valid acceptances from other shareholders representing only 0.02 per cent of Invergordon's shares.

Whyte & Mackay, the drinks subsidiary of American Brands, itself owns 465,000, or 0.4 per cent, of Invergordon shares.

Invergordon urged shareholders to continue to reject the bid.

The Office of Fair Trading announced on September 12 that its decision on whether to recommend a referral of the bid to the Monopolies and Mergers Commission would be delayed until October 10 at the latest.

The Takeover Panel ruled earlier this week that the last day on which Whyte & Mackay could publish a revised offer document for Invergordon Distillers would be extended to October 19, after the decision on referral.

Chelsea Man in administration

Mr David Lovett and Mr John Talbot of Arthur Anderson & Co have been appointed joint administrative receivers of Chelsea Man, at the request of the directors.

The group, which employs 600 people, operates menswear shops throughout the UK under the trading names of Jean Jeanie, Chelsea Man, Copyright and Nickelby's.

The administrative receivers intend to enable the group to continue to trade while they investigate its current financial position, with a view to finding a buyer for the business as a going concern.

NEWS DIGEST

Gloomy outlook for Blockleys

MR BRIAN Taylor, chairman of Blockleys, the brick and pavior manufacturer, said yesterday that there were no signs of recovery in the current year.

"Turnover in 1991 will be well below last year," he stated.

His remarks accompanied the Shropshire-based group's results for the six months to end-June which showed pre-tax profits down from £2.04m to £852,000. Turnover declined 28 per cent to £5.39m (£7.49m).

Sales of the UK brick industry year-on-year fell some 15 per cent over the period with stocks now approaching 1.5bn units. "There is every indication that further cutbacks in capacity will have to be made," he said.

The group reduced its output by 22 per cent in May by adjusting shift working. Reductions in the workforce had been achieved through natural wastage.

Earnings per share dipped to 2.3p (5.29p) but the interim dividend is maintained at 1.95p.

IDV forges link with Japanese distiller

International Distillers and Vintners, the drinks arm of Grand Metropolitan, has formed a joint venture with Nikka Whisky and Distilling, the second largest Japanese whisky distiller, to distribute and market IDV's volume brands in Japan.

IDV expects the arrangement to enable it to increase substantially its share of the Japanese market, particularly for J&B scotch. The brand, until now imported by Mitsui and distributed by Sapporo, is the world's second biggest-selling scotch and ranks fourth in Japan.

The joint venture, Nikka IDV, is owned 51 per cent by IDV and 49 per cent by Nikka and has 650 sales staff. Nikka will contribute its distribution network, while IDV will lead marketing strategy.

Gold production cuts loss at Ivernia West

A profit from gold mining operations in Australia helped Ivernia West, the County Limerick-based exploration group, report reduced attributable losses for the year to March 31.

The outcome – I£138,965 (£127,972) against I£384,770 – came on turnover from gold sales of I£757,220 and was struck after written-off exploration expenditure of I£332,201 (I£620,311). Production from the Double A mine in Western Australia commenced last September and "significant quantities" had been produced.

Exploration expenditure in the period increased from I£374,655 to I£1.17m reflecting increased activity at Lisheen, the highly prospective zinc/lead venture near the Tipperary and Kilkenny border.

Losses per share were 0.49p (1.68p).

The company's shares are dealt on a matched bargain basis under Rule 535 (2).

XCL Sunrise achieves \$344,000

XCL Sunrise, formerly Petro-Gen Petroleum, the Dallas-based independent gas marketing services company, reported net income of \$344,000 (£203,550) for the first half of 1991.

The outcome was achieved on total revenue of \$95.6m, and reflected the first full reporting period for the marketing and gathering operations.

Since a series of mergers and acquisitions in June 1990, when the company obtained a listing in London, its primary operations are in the natural gas marketing and gathering sector of the US oil and gas industry.

Former operations were in the exploration and production of oil and gas, hence the results are not comparable. For the first half of 1990 there was a net loss of \$68,000 on revenue of \$18.9m.

Acquisitions help lift North Sea Assets

Acquisitions helped North Sea Assets lift taxable profits for the six months to June 30 by 48 per cent, from £590,000 to £871,000, on sales ahead 75 per cent at £15m.

Operating profit jumped 77 per cent to £1.24m (£698,000) and an exceptional item of £45,000 related mainly to settlement of disputes relating to operations in previous years.

The company, which provides services to the energy industry, highlighted the contribution from Huntly Equipment Rental, acquired in May 1990, and also the three-month input from SeaMark Systems.

However, results from BUE Ships had been disappointing. A review of shipping operations had been carried out during the period and an announcement is expected shortly.

Earnings per share came through as 1.94p (1.4p) basic and 1.91p (1.24p) fully diluted.

Scapa makes senior debt placement

Scapa Group, a maker of engineered fabrics and roll covering for the pulp, paper and board industries, has completed a private placement facility of \$100m (£59m) of long-term debt.

The issue of senior unsecured notes has been placed with the Prudential Insurance Company of America, which was advised by its UK subsidiary PIC Europe. The main purpose of the issue is to replace some short and medium-term US dollar debt of Scapa's US subsidiaries and for general corporate purposes.

The issue has a final maturity of 15 years (2006), with repayments commencing at the end of year 8 (1999) and hence has an average life of about 11 years.

An initial tranche of notes for \$60m carries a fixed coupon of 9.472 per cent and has been issued by US subsidiary Scapa Group Inc, under guarantee from the parent. A further drawdown of \$40m may be made at any time before the end of April 1992.

Secure Trust rises by 15% to £3.1m

Secure Trust, the Birmingham-based financial company which specialises in household budgeting services, has continued to show profits growth, "despite the challenging economic climate".

For the six months to June 30 profits rose 15 per cent to £3.13m (£2.72m) pre-tax. Fee income advanced to £3.14m (£2.49m) helped by the integration of customers from Moneycare, acquired in October 1990.

However, the net organic growth of new customers has slowed because of the recession. Commission income rose to £1.81m (£1.56m) and interest margin income to £1.84m (£1.8m).

Earnings increased to 14.5p (12.5p) per share and the interim dividend is lifted to 3.5p (3p).

Construction side hits Worcester

In spite of a strong performance from its core boiler business, Worcester Group, the central heating equipment maker and fabricator of structural steelwork, suffered a decline in taxable profits from £2.01m to £1.08m in the first half of 1991.

Losses of £150,000 (£600,000 profits) in the construction subsidiary and interest charges of £520,000 (£43,000) were behind the profits fall, directors said.

Turnover moved ahead to £28m (£20.1m). Earnings per share worked through at 2.4p (5.4p) and the interim dividend is unchanged at 1.33p.

LIG pays Reckitt £4m for brand range

London International Group, the consumer products and services group whose products include condoms and gripe water, has agreed to acquire the Manan personal care brands in Germany from Reckitt & Colman, the household products and food group, for DM12.5m (£4.3m) cash.

The agreement concerns brands only; no manufacturing facilities or personnel are included.

Spandex held back by start-up costs

Spandex, the USM-quoted sign-making equipment supplier, said yesterday that achievements in its continental European operations were more than enough to offset the depressed conditions in the UK.

However, start up costs in Italy, Switzerland and Austria held back taxable interim profits which declined slightly from £2.21m to £2.16m.

Sales in the six months to June 30 increased 30 per cent to £26.8m (£20.6m). Earnings per share came through at 11.9p (12.8p) and an interim dividend of 1.9p (1.75p) is declared.

Reduced interest charges help Stag

After a difficult 1990 when its profits were adversely affected by the consumer spending downturn, Stag Furniture reported an 11 per cent expansion in profits for the first half of the current year.

On turnover slightly lower at £14.5m (£14.8m), the pre-tax line at this Nottingham-based cabinet furniture maker improved from £838,000 to £932,000.

The increase, however, mainly reflected a reduction in interest charges to £23,000 (£148,000).

Directors said the control of working capital and proceeds from the sale of one of the Letchworth factories, taken below the line as a £275,000 credit, contributed to positive cash flow. Gearing stood below 9 per cent at the period end.

The interim dividend is lifted 0.5p to 2.5p, payable from earnings of 6.2p (5.2p) per share.

UK COMPANY NEWS

Trade Indemnity passes dividend as claims mount

By Richard Lapper

TRADE INDEMNITY, the trade credit insurer, yesterday announced that it had passed its interim dividend for the first time in its 73-year-history.

It has been hit by higher than expected losses from the recession. During the first six months of 1991, the group, which is owned by leading UK and European insurers, paid gross claims of £83m, roughly three times the amount paid in the first half of 1990.

Business failures were 83 per cent up on the comparable period. Mr Charles McCartan, associate director, said: "This is a business failure recession the likes of which we've never seen before."

The deterioration in the property market resulted in increased claims from its discontinued commercial mortgage indemnity business. Additional provisions of £13.5m have raised the total to £22.8m.

Mr McCartan said that it would not have been "prudent" to have paid a dividend. He admitted that the decision was particularly unpalatable in view of the £39m rights issue made in the spring. Last year interim dividend was 0.9p.

The group, which operates on a three-year accounting basis, does not declare profits at the half-year stage.

In 1990 it suffered pre-tax losses of £38.8m and heavy claims over the first six months seem likely to produce another year of losses.

Claims net of reinsurance recoveries in the first half amounted to £32.1m, against £13m previously.

Over the past six months gross premiums rose by 29 per cent to £68.1m. In the UK, where the group writes 80 per cent of all trade credit insurance, premiums rose to £54.2m (£43.8m).

Premiums retained - net of reinsurance - amounted to £31.2m (£25m). New business in the UK expanded by 35 per cent. The impact of premium rate increases of 40 per cent announced in March is also beginning to be felt.

The shares fell 5p to 68p.

See Lex

Agency absorption helps AMV hold first half decline to 10%

By Bronwen Maddox

ABBOTT MEAD Vickers, the advertising agency whose clients include Volvo and J Sainsbury, held the fall in its interim profits to 10 per cent aided by the inclusion of BBDO, the London agency absorbed earlier year.

Taxable profits of £1.9m (£2.1m) were recorded for the six months to June 30, described as "the most difficult environment in our history."

The 15 per cent rise in turnover to £73m (£63.3m) was due to the inclusion of BBDO, whose client list features Pepsi-Cola and Gillette. But turnover in AMV and Leagas Delaney, the existing agencies, fell slightly.

In March AMV absorbed BBDO, one of the London arms of Omnicom, the US-based agency, paying net asset value of £78,000 and £2.4m costs. This year Omnicom also paid £7.5m for the 22.5 per cent stake in AMV previously held by WPP, Mr Martin Sorrell's marketing services company.

Mr Peter Mead, chief executive, said that getting to know the BBDO clients had inevitably added to overheads. He said that AMV had never made redundancies and had "resisted pressures to make short-term economies." As a result "our spirit and culture remain intact," unlike some competitors.

Interest receivable of some £400,000, the same as last time, was earned on average cash balances in the half year of £6m, about £1m up on the previous year.

Earnings fell to 8.63p (9.6p) but the interim dividend advances to 2.8p (2.7p).

In the half year, the group won new accounts worth an annualised turnover of £24m, including Ski Yoghurt and Wella haircare, of which a third was due to BBDO.

Mr Mead said the new accounts would help the second half, but there were only small signs of an improvement in trading. There was little indication that the traditional pre-Christmas corporate spending rise would happen this year.

M&G Income Trust aims for £500m via offer and placing

By Philip Coggan, Personal Finance Editor

M&G INCOME Investment Trust is hoping to raise up to £500m via an offer-for-subscription and placing.

The trust will have a split capital structure, with three share classes. The zero dividend preference shares will have repayment priority; their initial asset value will be 34.5p, and they will be entitled to be redeemed at 102.46p in 2001, an annualised gross redemption yield of 11.5 per cent.

The income shares will receive all the trust's income after expenses; the forecast annualised gross dividend is 6.55p per share. However, they will only be redeemed at 0.1p per share when the trust is wound up in ten years.

The capital shares will receive all the assets of the trust after the zero dividend and income shares have been repaid. The initial asset value of the shares will be 59.95p; if the trust's assets grow at 10 per cent a year, they will be redeemed at 132.84p in 2001.

The offer-for-subscription will consist of a package of all three shares at 100p. Under the placing, SG Warburg will separately sell the zeroes and a further package of the income and capital shares. The offer closes on October 17.

London Forfaiting doubles to £6.61m

By Bronwen Maddox

LONDON FORFAITING, the specialist trade finance house, almost doubled interim pre-tax profits, from £3.33m to £6.61m, as bank caution about credit risks allowed it to raise its margins.

Mr Stathis Papoutes, managing director, said that the company had seen less competition and that banks "were less hungry for international assets", demanding higher rates on loans which had helped its own margins. While volumes in the six months to end-June were "slightly ahead of last year", trading income rose to £7.92m (£4.64m).

Forfaiting involves the provision of trade finance through fixed rate loans which are sold at a discount to investors such as banks.

Mr Papoutes also attributed the success in the half to active trading of the loan book, "where our competitors tend simply to invest".

Administrative costs were held at £3.4m (£3.3m) despite the trading income increase. Net interest receivable was £2.1m (£1.99m).

The level of forfaiting assets fell to £95m in June from £120m at the end of 1990, partly because of a downward valuation of undisclosed east European assets which the company described as "conservative and relatively small".

Net tangible assets were £105.9m, or 105.9p per share.

Despite this strength, the interim dividend is maintained at 2.625p on earnings of 5.02p (2.09p) per share.

Mr Papoutes remained "bullish" about the outlook - although the appetite of the banks for loans might improve next year, the impact on margins could be limited "as it is scarcely a perfect market".

Sun Life maintains interim dividend

Sun Life Corporation yesterday announced it was paying an unchanged interim dividend of 14p for the 1991 year.

Directors said they had continued their declared policy of progressively varying the balance between the interim and final dividends, but the unchanged interim dividend should not be regarded as a guide to the size of the total payment for the year.

The life insurer announced in July that new business for the six months to end-June had increased by 37 per cent over the equivalent period, while total premium income of the group rose from £493m to £729m.

Non-insurance business turnover however declined from £29.7m to £22.4m.

Last winter's sudden cold spell helped Calor become one of the few companies reporting warming profits

Calor rises 73% but pay-out is unchanged

By Peggy Hollinger

CALOR GROUP, the bottled gas supplier 44 per cent owned by SHV, the Dutch investment company, lifted interim profits by 73 per cent, thanks largely to last winter's cold snap and volatile gas prices.

Pre-tax profits for the six months to June 30 rose from £18.9m to £32.7m on turnover up 33 per cent at £214.4m (£160.9m).

However, an unchanged interim dividend of 6p is declared. Mr Michael Davies, chairman, said that the board intended to build up retained earnings to provide for investment in the company's developing businesses.

Mr Folkert Schukken, Calor chief executive and a vice-president of SHV, said the results had proved Calor's policy of spending on gas storage capacity. "When prices rose rapidly we were in the advantageous position of having a cheaper product available," he said.

In the early part of last year, winter gas prices more than quadrupled over the levels of the summer. It would be normal to see just a doubling of prices, Mr Schukken said.

Measures to improve production efficiency had also helped boost profits and margins. However, Mr Schukken warned that margins would be tighter in the second half, due to higher gas prices this summer. This had hindered Calor's efforts to store a sizeable quantity of cheaper gas for the winter, he said.

Calor was also suffering a decline in its main cylinder butane business which would have adverse profit implications, he said. The group's other main division, bulk propane - used in central heating and cooking - had been hard hit by the decline in the UK property market. "That is traditionally a growth business," said Mr Schukken, "but it has now stagnated."

Provisions of £6m (£5.4m) were taken for asset write-downs and reorganisation costs. Two small acquisitions in the core UK gas business had had a negligible effect on income.

Mr Schukken said the group planned to expand through Pam Gas, its joint venture with SHV in eastern Europe. Pam Gas was building a successful business in the cooking sector in Poland and Czechoslovakia, he said.

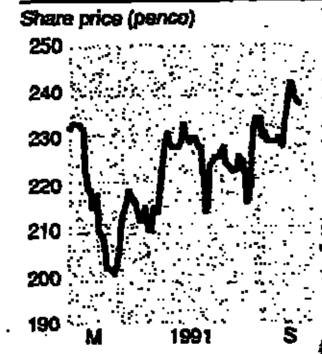
Earnings per share advanced 75 per cent to 13.3p (7.6p). Interest charges were almost halved at £1.4m (£2.7m).

● **COMMENT**

Calor's chief executive must one of the few people in Britain who prays for bad weather. And obviously he was in favour earlier this year. However, the big question is whether Mr Schukken will be so lucky this time round. Also, cautionary noises on Calor's two main businesses leave strong doubts about future growth. Eastern Europe could be the group's best long-term prospect. But developing that business will almost certainly mean a rights issue. Which brings us to the dividend. Does Calor boost the pay-out - and thus the share price before a cash call - at the expense of retained profit? Or does it maintain slow dividend growth at the expense of the share price? Hints in the statement imply the dividend will suffer. Pre-tax forecasts range from £42.3m to £54m, depending on the weather, with a p/e of 9.4 to 11.9. An historic yield of about 6.6 per cent looks good initially, but growth prospects are slim.

Calor Group

Share price (pence)



Source: Datastream

Crown Comms seeks £4.5m to ease debt

By Jane Fuller

CROWN Communications, the USM-quoted broadcasting company which owns the LBC radio stations, has launched a £4.5m rights issue to ease debt that was uncomfortably close to its borrowing limit of £18.3m.

It has also paved the way for the Australian group which owns nearly 30 per cent to increase its stake to between 42 and 49 per cent without launching a bid for the whole group.

The 3-for-8 issue is priced at 45p, compared with yesterday's opening level of 55p. The closing price was 2p lower.

Mr Ian Stevenson, finance director, said it was not a rescue rights issue.

"We had sufficient other ammunition to deal with any potential problems." The group had not at any time exceeded the £18.3m borrowing limit agreed with its bankers.

Debt had not come down as quickly as hoped, because further funding had gone to the RFM national network in France, which was close to breaking even, and because of advances to Independent Radio News, which had yet to be reimbursed.

There had also been a delay in realising cash from asset sales. More than £1m was expected to come in following the merger of Mercury, in which Crown had a 26 per cent stake, with County Group, another southern radio concern.

Crown reported a pre-tax deficit of £4.68m for the six months to March 31. Improvements, particularly at LBC, are expected to limit second-half losses to less than £2m.

The company said that looking to the longer term "there are clear signs of a recovery in national advertising revenue for the radio industry as a whole."

After the issue, the Australian Darling Downs group, headed by Mr David Haynes, who is also Crown's chief executive, will have up to 49 per cent of the equity, even though it is not taking up its rights.

It is exchanging preferred shares, which might have converted into a larger holding, for 21m ordinary shares. After placing 3.3m shares, it will add the remainder to its existing stake.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbott Mead ....int	2.8	Oct 31	2.7	-	7.8
Alumasc ....fin	6.8†	-	6.15	10	9
Blockleys ....int	1.95	Oct 31	1.95	-	4.81
Bowthorpe ....int	1.7	Dec 13	1.62	-	5.75
Calor ....int	6	Jan 2	6	-	12
Cmmty Hospitals .....fin	3.8†	Nov 8	3.3	6	5.2
Fitch RS ....int	nil	-	1.5	-	1.5
Kwik-Fit ....int	1.35	Nov 11	1.1	-	2.75
London Forfait ....int	2.625	Oct 29	2.625	-	7.25
Merivale Moore ......fin	7.75☆	Dec 7	7.75	10.5	10.5
Secure Trust ....int	3.5	Nov 21	3	-	10.5
Spandex § ....int	1.9	Jan 10	1.75	-	5.5
Stag Furniture ....int	2.5	Nov 22	2	-	5.5
Steel Burrill ....int	4.25	Nov 7	4	-	12.25
Sun Life ....int	14	Nov 14	14	-	47.65
Trade Indemnity ......int	nil	-	0.9	-	1.9
Worcester Group ....int	1.33†	Nov 15	1.33	-	4.01

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option.

Aberfoyle to meet dissidents

By Joel Kibazo

ABERFOYLE HOLDINGS, the agriculture, textile, security products and services group operating in Zimbabwe, which on Tuesday said it faced being put into administration, will today meet the shareholders who recently called for the removal of most of the board.

Representatives from the company, said to include managing director Mr B Gill, together with Baring, its adviser, are to meet the dissident shareholders at Hambros, advisers to the aggrieved group, to thrash out a way forward.

On Tuesday, Aberfoyle said the talks about its financing had been suspended and the company was now dependent on funds provided by Mr Ian Coates,. its chairman. It warned that failure to secure extra funds would lead to the company being put into administration.

Sources close to the embittered shareholders, thought to control more than 40 per cent of the company, indicated yesterday that funds could be made available to Aberfoyle and they would be calling in accountants, Arthur Anderson, to examine its finances.

Mr Kojo Owusu-Nyentekyi, chairman of Crescent Africa, a private company with a 26 per cent stake in Aberfoyle, added yesterday: "We have a strategy that will realise shareholder value, provided they acknowledge we have a role to play."

COMPANY NEWS IN BRIEF

BENSON GROUP: Acceptances of its rights issue have been received in respect of 84 per cent of the shares offered.

CATTLE'S (HOLDINGS): At EGM shareholders approved exercise of Rexmore's option requiring Cattle's to purchase Rexmore's 20 per cent stake in Rosebys, a curtains and household linens retail chain, for £2.84m in cash. Rosebys, which will then become a wholly owned subsidiary of Cattle's, had net assets of £4.12m at end-1990.

DIXONS GROUP: Mr Stanley Kalms, chairman, has exercised options to purchase 163,200 ordinary shares held under the group's employee share scheme at 131p per share. On September 16 Mr Kalms sold 1m ordinary at 269p per share and his resultant holding is now 3.52m ordinary shares.

DOWTY GROUP: Dowty Circuits has been purchased by its management. Total funding package of £3m includes equity from Midland Montagu Ventures and term loan facilities from Midland Bank.

FOLKES GROUP is selling Folkes Engineering to Hampson Alcosa and others for an initial £419,000 and a further £250,000 based on stock at completion and sales during the next year.

UNIDARE is involved in discussions with SE Carburos (Carburos Metalicos) which is likely to lead to the sale of the welding division of Carburos to Unidare.

VARDY (REG) has acquired the Dutton Forshaw motor dealership in Sunderland for £1.36m for freehold land and buildings and about £27,500 for plant, equipment, fixtures and fittings. Consideration, in three tranches, will be satisfied in cash.

UK COMPANY NEWS

Bowthorpe declines 10% as recession bites

By Michiyo Nakamoto

THE RECESSION caught up with Bowthorpe Holdings in the first half of 1991.

For the first time in 15 years the electronic components group incurred a fall in pre-tax profits – down 10 per cent to £21.3m compared with £23.7m.

Turnover was down 13 per cent to £112.5m (£128.6m).

The group has 50 operating units in 20 countries and interests ranging from the construction and automotive sectors to telecommunications and computers.

Its wide geographical and product spread, however, only partially shielded it from world economic weakness in the first half.

"This recession is unusual in the spread of industries and in the spread of countries affected," commented Mr John Westhead, managing director.

The dividend, however, is lifted 5 per cent to 1.7p (1.62p).

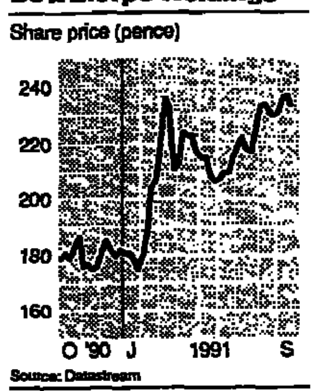
The largest fall in demand came in the UK, where the order intake was down 12 per cent. Operating profit from UK activities declined 28 per cent to £3.9m, comprising 19 per cent (25 per cent) of group operating profits.

The weakness in the UK was countered by buoyancy in Germany, underpinned by the resilience of the German automotive industry. The group expects further growth in Germany, based on demand from the east, and is increasing capacity there.

European operating profit, excluding the UK, was slightly higher comprising 43 per cent of the group total, up from 39 per cent in 1990.

US activities moved up from representing 24 per cent of operating profit to 27 per cent.

Bowthorpe Holdings



Source: Datastream

Weakness in Brazil cut the contribution from associated companies from £1.47m to £587,000.

The fall in profits was smaller at 5 per cent if the contribution from businesses disposed of last year and the effects of adverse exchange rates are excluded. Reorganisations and redundancies reduced the cost base, but resulted in a charge of £493,000 in the first half. Further cost-cutting measures are planned.

Net funds of £20.3m (£15.1m) generated interest and similar income of £1.14m. The increase in the proportion of profits earned from activities in Germany took the effective tax rate up to 42 per cent. Earnings per share were lower at 7.17p (8.08p).

Although demand appears to be no longer falling in the UK, Mr Ray Parsons, chairman, said: "I am not expecting much improvement in the second half."

● COMMENT

The only surprise from this steady performer was the extent to which a higher tax charge and a lower contribution from associated companies impacted on earnings.

The group's diverse geographical, product and customer base may not have been enough to insulate it entirely from the recession. But combined with its focus on low-tech areas where competition is not too severe, the strategy has been successful in containing risks.

The City is looking for full-year profits of about £43.5m giving earnings of 14.8p and a prospective multiple of 16.

The premium to the market is justified by the traditional reliability of the group's performance. But just as the downside is limited for this group, so is the prospect for a strong upturn. The shares are not seen to be a recovery stock.

Fitch-RS loses £0.68m and withholds dividends again

By Bronwen Maddox

MR RODNEY Fitch, chairman of Fitch-RS, the design consultancy, yesterday announced an interim pre-tax loss of £680,000 and said the company had "been through hell . . . the first quarter was the worst in our history."

The decline from a profit of £500,000 reflected the severity of the recession, and forced the company to suspend its preference and ordinary dividends for the second time.

Turnover in the six months to June 30 fell by 28 per cent to £8.62m (£12m) as UK retail design work suffered, both in new property development and new concept refurbishment.

However, success in winning contracts in the US and Far East helped take overseas turnover to £5.5m (£4.8m), 64 per cent of sales, against 40 per cent last year.

A reduction in costs allowed the company to improve profits before interest to £613,000, from a loss of £5,000.

The company last year cut its UK staff numbers sharply, pulling the group total back from 500 to 360.

The £1m rise in net debt to £7.7m since the year end pushed interest payable to £536,000, compared with £464,000 interest receivable.

The £752,000 exceptional cost reflected further redundancies and the carrying cost of unoccupied property.

Losses per share were 12.3p, against earnings of 2.2p.

The company has decided to withhold dividend payment on the ordinary shares. Last year's failure to pay a final dividend left the total at 1.5p.

Fitch has also suspended the 3p payment on the cumulative preference shares due on October 1, following the suspension of the April payment.

Mr Fitch said: "We have no choice – we have no distributable reserves at the moment – but we hope to return soon to a dividend policy."

Despite the disappointing results he was now "very bullish" about the international outlook and confident about the UK.

● COMMENT

The group's bullishness is welcome, though understandably based more on overseas optimism than UK improvement.

The share price hangs, however, on it meeting City expectations of breakeven for the year, meaning a second half pickup.

The present borrowing facilities of £8m are only slightly above present net debt of £7.7m and would need renegotiating if that pickup was not on schedule.

True, the recovery in Fitch's business seems well underway, particularly in the US, and it was prompt in reducing UK costs, but its financing position continues to make it of particular interest, as well as a general barometer of the property market and corporate discretionary spending.

Alumasc 21% higher at £5.9m

By Paul Cheeseright, Midlands Correspondent

ALUMASC, the Northampton shire-based manufacturer of brewery equipment, products for the construction industry and precision components, yesterday announced record results with a 21 per cent increase in annual profits.

The pre-tax figure for the year to end-June was £5.85m (£4.85m). The result, above market expectations, lifted earnings per share from 25.5p to 28.5p.

The final dividend is 6.8p, making a total for the year of 10p, an increase of 11 per cent.

A long-running programme to cut costs has improved margins despite a reduction in turnover for brewery products and static sales for precision components. Because of acquisitions sales of building products were higher.

The group has also been accumulating cash and interest receivable increased to £783,000 (£138,000) while interest payable declined to £515,000 (£604,000).

At the year end, the group had a net cash balance of £4.5m

Mr John McCall, chairman and chief executive, said that market conditions did not justify what he called "the optimistic talk of an end to the recession."

He believed that "Alumasc will continue to perform well."

Merivale plunges to £0.6m

TAXABLE profits at Merivale Moore, the property investment and development group, plunged from £7.37m to £615,000 in the year to June 30. Mr Grenville Dean, chairman, said that the profit took the company back to 1981 levels.

However, he went on to say: "Thankfully, the worst property slump since the war appears to be on its last legs, even history." He added that the profit figure was struck after stocks had been written down by £1.23m, a write-off of £500,000 for fees on aborted schemes and £300,000 of compensation payments.

Commercial property development incurred losses of £2m. It currently accounts for 60 per cent of gross assets; at June 30 1990 it accounted for 80 per cent.

Group turnover jumped to £78.8m (£59.5m) but interest took more at £9.77m (£7.9m). Earnings emerged at 12.7p (35.8p), but the recommended final dividend is held at 7.75p for a same-again total of 10.5p.

Group debt was reduced to £52m (£69m).

Community Hospitals advances to £5.8m

By Jane Fuller

COMMUNITY Hospitals Group, the private medical company, increased annual pre-tax profit from £5.7m to £5.81m, although the previous year benefited from the £1.1m sale of a stake in another hospital company.

Operating profit in the 12 months to June 30 rose 32 per cent to £5.7m (£4.33m) on sales of £35.1m (£28.1m).

The share price gained 4p to close at 219p, within 1p of its July 1989 high.

Following a 1-for-3 rights issue in February, which raised £10.4m, net debt was limited to £4m at the year-end, with gearing of 7 per cent. This was after capital spending of £14.6m.

Mr Alan Dexter, chief executive, said that that figure would rise to £20m this year and gearing was anticipated at between 30 and 35 per cent by next June. It was comfortable with a ratio of up to 50 per cent.

Sir Peter Thompson: this year had started well

The group raised £20m when it floated in May 1989. Mr Dexter said a total of £50m would have been spent on hospitals and homes in the three years between the flotation and June 1992.

"The bulk of the development programme will then be complete," he said. CHG would have 10 hospitals with 480 beds and eight nursing homes with 413 beds.

Part of the plan was to build "close care" units on some of the sites, where elderly people would have their own homes but be able to hire services, such as laundry, from the nursing home or hospital.

"The Government White Paper, Care in the Community, wants people cared for in their own homes. We want to bring their homes nearer to the care complex," he said.

The hospitals increased operating profit by 29 per cent to £4.9m on turnover of £31m. The proportion of revenue derived from day and out patients was being driven up.

Operating profit from nursing homes rose 60 per cent to £800,000 on sales of £4.3m.

Both operations were proving recession resistant because of the increasing level of private health insurance and the growing number of elderly people in the population.

Sir Peter Thompson, chairman, said: "The current year has started well with little sign that the recession has impacted on our healthcare activities."

Earnings per share, affected by increased equity, were 15.6p, compared with 16.5p including the exceptional gain and 13.4p without it. The dividend goes up to 6p (5.2p), with a final of 3.8p.

● CHG will give a "best view" of its expected profit for this year when it reports its interim results next March.

Norwich Union and GRE arms to merge

By Norma Cohen, Investments Correspondent

Ajax Insurance, Norwich Union's specialist engineering insurance and inspection services subsidiary, has reached an agreement to merge with a similar subsidiary of Guardian Royal Exchange.

GRE's team of engineer surveyors will transfer into Ajax, with Ajax providing underwriting, administrative and technical services for both insurance companies. It is expected that GRE will shed some of its administrative staff.

Ajax, which currently has 172 surveyors within its total workforce of 350, has annual turnover £9.5m. The addition of GRE's business will increase turnover by about 25 per cent.

The subsidiary specialises in statutory inspection services together with engineering and computer insurance, and health and safety management. Services of companies like Ajax are required by insurance companies to help assess risks of potential claims.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- APV, Appleyard, Baynes (Charles), *Bemrose, Bentalls, Boustead, Comac, Davis* Service, Fofues, Goal Petroleum, Guinness, Hawker Siddeley, Highcroft Inv Trust, Inlehtech, Jardine Strategic, Laporte, Magnolia, Morrison (Wm) Supermarkets, RMC, Sindall (Wm), *Spring Ram*, Taveners, Telemetrix, Total, UniChem.

Finals- CALA, Foreign & Colonial High Income Trust, GT Venture Inv Trust, Logica, SelectTV, Surrey, Waterman Partnership, Zambia Copper

FUTURE DATES

Interims-	
Antofagasta	Sep. 25
Boot (Henry)	Oct. 17
Brown & Jackson	Sep. 27
Burns-Anderson	Sep. 27
Capital & Regional Props	Oct. 10
Carlisle	*Sep 20*
E W Fact	Oct. 2
Eurotunnel	Oct. 7
Jove Inv Trust	Sep. 24
New Ireland	Sep. 30
Yule Catto	Sep. 26
Finals-	
Armour Trust	Sep. 27
Eleco	Sep. 26
Raine Industries	Oct. 1
Sunset + Vine	Sep. 24

PUBLIC WORKS LOAN BOARD RATES

Effective

Quota loans*

Years	EP†	A††	at maturity§
1			$10\frac{1}{8}$
Over 1 up to 2	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$
Over 2 up to 3	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$
Over 3 up to 4	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{4}$
Over 4 up to 5	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{4}$
Over 5 up to 6	$10\frac{1}{8}$	$10\frac{1}{4}$	$10\frac{1}{4}$
Over 6 up to 7	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{3}{8}$
Over 7 up to 8	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{3}{8}$
Over 8 up to 9	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{1}{2}$
Over 9 up to 10	$10\frac{1}{4}$	$10\frac{3}{8}$	$10\frac{1}{2}$
Over 10 up to 15	$10\frac{3}{8}$	$10\frac{1}{2}$	$10\frac{5}{8}$
Over 15 up to 25	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{1}{2}$
Over 25	$10\frac{5}{8}$	$10\frac{1}{2}$	$10\frac{1}{2}$

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

PUBLIC NOTICES

MMC INVITES EVIDENCE AND VIEWS ON THE PROPOSED ACQUISITION BY UNICHEM PLC OF MACARTHY PLC

The Monopolies and Mergers Commission is inquiring into the proposed acquisition by Unichem plc of Macarthy plc, to determine whether such an acquisition might operate against the public interest.

The Commission would like to hear from those who have views on the proposed acquisition, or information which could help with the inquiry. They should write as soon as possible to: The Reference Secretary *(Unichem/Macarthy), Monopolies and Mergers* Commission, New Court, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICES

IN THE MATTER OF GRAPEVINE PUBLISHING (LONDON) LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter Scholey Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 48 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 16th September 1991.

Dated this 16th September 1991

Peter Scholey Dunn FCA, Liquidator

Latham Crossley & Davis

48 Conduit Street, London W1R 9FB

CLUBS

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Registre de Commerce
Section B 32805

NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that an Extraordinary General Meeting of Shareholders will be held at the Registered Office at 14, rue Aldringen, Luxembourg on 27th September, 1991 at 12.00 hours in order to resolve to approve the following amendment to the Articles of Incorporation.

Amendment to Article 1 to change the name of the Corporation to INVESCO MIM EUROPEAN WARRANT FUND

The Board of Directors

Notes:

1. A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not also be a member of the Corporation.

2. The quorum for an Extraordinary General Meeting for the passing of the above resolution is one half of the Shares in issue. To pass the resolution a majority of two-thirds of the Shares present or represented at the Meeting is required.

3. To be valid, forms of proxy must be lodged with the Registered Office of the Corporation not later than 48 hours before the time at which the Meeting is convened.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.11	16.90	16.43
0100	16.01	15.65	15.65
0130	16.01	15.58	15.58
0200	16.01	15.58	15.58
0230	16.01	15.58	15.58
0300	16.01	15.58	15.58
0330	16.01	15.58	15.58
0400	16.01	15.61	15.61
0430	16.02	15.51	15.51
0500	16.02	15.58	15.58
0530	16.02	15.60	15.60
0600	16.03	15.60	15.60
0630	16.03	15.65	15.65
0700	19.01	16.18	16.18
0730	19.23	17.43	18.98
0800	22.73	18.38	19.94
0830	28.98	18.67	20.14
0900	34.68	22.34	24.04
0930	38.68	22.27	23.98
1000	40.67	22.53	24.26
1030	41.03	22.52	24.28
1100	40.78	22.50	24.25
1130	41.06	22.57	24.35
1200	39.83	22.62	24.40
1230	36.01	22.58	24.35
1300	31.78	22.44	24.18
1330	28.29	22.31	24.02
1400	25.49	22.26	23.96
1430	25.36	19.47	21.09
1500	25.34	22.25	23.95
1530	25.44	22.26	23.96
1600	27.02	22.27	23.96
1630	29.59	22.29	24.00
1700	32.92	22.31	24.02
1730	28.96	22.29	24.00
1800	25.82	22.26	23.97
1830	24.92	22.23	23.92
1900	26.53	22.22	23.87
1930	27.44	22.22	23.89
2000	29.12	18.55	20.12
2030	27.87	18.46	20.04
2100	26.03	18.65	20.22
2130	24.04	18.65	20.22
2200	20.59	18.46	20.03
2230	19.02	18.02	19.57
2300	18.45	17.43	18.97
2330	17.97	17.18	18.72
2400	16.04	16.94	18.47

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

TECHNOLOGY

Standards battle opens up

The computer industry has finally got the message. Computer users want systems that work together and software that runs on more than one machine.

In what could be an important step towards achieving this, Unix International, a consortium of hardware and software companies formed three years ago by AT&T and Sun Microsystems has announced plans for a framework of specifications for "open systems". The "UI-Atlas" encompasses a broad set of functions from transaction processing to graphical user interfaces.

"UI members recognised that it was essential to build functionality on top of Unix if open systems were to knock out proprietary systems," explains Peter Cunningham, president and chief executive of UI.

By defining "reference technologies" and developing interfaces to link them, UI will specify how computer products can be incorporated into an open systems environment.

UI is also attempting to resolve disputes over "standards" that have split the industry in recent years. The unification of approaches is essential if open systems are to "take out" proprietary systems, Cunningham says.

UI members also see potentially powerful competition for Unix in the form of Microsoft's "Windows NT" operating system, which should be available next year, and the software that IBM and Apple Computer have agreed to develop jointly.

UI is also challenged by the efforts of established proprietary systems manufacturers. Last week IBM announced that it plans to offer Unix on its latest mainframes. IBM is expected to focus on creating links between its own proprietary systems and those of other manufacturers. In a shift of emphasis, UI has acknowledged that existing proprietary system software must be integrated with open systems.

The UI Atlas framework "reference technologies" will become available over the next three years. it It will be some time, however, before all the pieces of Atlas are mapped out.

Louise Kehoe

Clive Cookson looks at recent advances in brain research

It's all in the mind

"OUR KNOWLEDGE of the brain today is at about the same stage as our knowledge of blood circulation was in the 17th century when William Harvey discovered that blood went round the body and returned to the heart."

David Grahame-Smith, professor of clinical pharmacology at Oxford University, points out that all the drugs used today to treat mental disorders, whether mild anxiety or severe psychosis, are based on the empirical discovery that they relieve symptoms, rather than any rational understanding of the brain. Most work poorly and unpredictably and for many conditions, including Alzheimer's disease, the mental scourge of old age, there is no treatment at all.

Oxford's SmithKline Beecham Centre for Applied Neuropsychobiology – opened officially today – is part of a worldwide effort to understand the working of the brain at a molecular level. That knowledge should eventually enable the pharmaceutical industry to design selective and effective drugs for mental illness.

Grahame-Smith, director of the centre, outlines the prospects with real excitement. Just in the last few weeks, he says, he has come to believe that scientists will learn in the near future to manipulate the processes leading to senile dementia.

SmithKline Beecham, the Anglo-American pharmaceutical group, established the centre in 1989 with the promise of £5m funding over 10 years. The abandoned kitchens of the Radcliffe Infirmary, Oxford's oldest teaching hospital, were converted into laboratories, and the research programme is now fully under way, with a core staff of 12 scientists – six employed by SB and six by the university. There are also half a dozen visiting researchers.

Although the Oxford-SB centre is only one of hundreds of neurobiology laboratories worldwide, its activities illustrate the art of brain research today. Here are six examples:

- Developing neural cell cultures for use as a model system to study the effect of drugs on the brain. Actual neurones (nerve cells) will not last for more than about a month in cultures outside the brain. Many studies require longer-term cultures, so the SB centre is using cells derived originally from neuroblastoma, a type of brain cancer, which survive indefinitely in incubators.
- Studying the action of the neurotransmitter serotonin. Chemical messengers such as serotonin (also known as 5-hydroxytryptamine or 5HT) are essential for communication between brain cells. They work by stimulating protein molecules (receptors) on the target cell. The SB centre is focusing on the serotonin receptor proteins, which are known to be involved in depression, anxiety and mental illness. Some psychiatric drugs act directly on these receptors but the benefit to the patient develops only slowly, over several weeks. Neural cell cultures are used at Oxford to study the gradual biochemical changes involved.
- Investigating the electrical activity of neurones. Brain cells communicate by electrical signals as well as chemical messengers. The Oxford scientists use tiny glass micro-electrodes inside the cell to record changes in electric current across a cell membrane, in response to a specific drug. These changes result from the drug's effect on receptors coupled to "channels" which allow selected ions such as potassium or calcium to pass through the cell's outer membrane.
- Fluorescent imaging of ionic changes in brain cells. The concentration of ions inside the cell changes within a second when neurones are activated by neurotransmitters. The SB centre is using calcium-sensitive fluorescent dyes to monitor these changes. Cultured cells are loaded with dye and then stimulated by serotonin; the increase in fluorescence is measured by computerised image analysis.
- Measuring potassium levels in the brain. The processes that regulate ionic concentrations break down when someone has a stroke – a blood clot in the brain – because the oxygen supply is reduced. The resulting rise in potassium levels is a primary cause of the irreversible brain damage suffered by stroke victims. The SB centre is using micro-electrodes to investigate the link between potassium and neuronal damage. It may then be possible to develop drugs which interfere with this process and protect cells against oxygen starvation immediately after a stroke.
- Using gene activation to investigate neurotransmitters and psychotropic drugs. When nerve cells are activated by drugs, a series of genes is switched on. These "immediate-early genes" lead to the production of proteins whose function is not yet understood.

James King-Holmes

Examining the electrical activity of cultured brain cells

The Oxford scientists are using one particularly gene, called c-fos, to identify precisely which cells in the brains of laboratory animals are activated by specific drugs.

Although academic suspicions about industrial sponsorship of university research have largely disappeared over the last decade, many biomedical scientists still believe privately that funding by a research council or medical charity – if you can get it – is preferable to accepting money from a drug company.

Grahame-Smith, however, insists that his scientists benefit from the SB arrangement without losing academic freedom. "Our research into the biological processes that underlie brain function is not driven by SmithKline Beecham product development," he says. But scientists at the Oxford centre make use of SB's extensive in-house research facilities, for instance to obtain experimental chemicals that are not available commercially.

From SB's point of view, one reason for setting up a direct link with Oxford University is to help recruit well-trained and committed scientists to its own R&D laboratories. And the company benefits from privileged access to the centre's research, which may give leads to developing new drugs even though it is not driven directly by product development.

SB and the university have a legal agreement which requires scientists at the Oxford centre to give the company six weeks to review any research results before submitting them for publication. This is a normal feature of academic-industrial collaboration, to give the company time to patent any discovery that might be commercially valuable.

"The possibility of practical developments has added a little sparkle to our activities," says Grahame-Smith. "My experience is that many basic scientists like to feel that there's going to be a practical outcome to their work."

The Danes have a higher per capita export of pharmaceuticals than any country except Switzerland and they claim that there is a greater concentration of bio-scientists within 30km of Copenhagen than anywhere else except Boston or Basle.

Only one Danish pharmaceutical company, Novo Nordisk, is listed on the Copenhagen stock exchange. The others live a relatively anonymous existence, but their work is often distinguished. Among them is H. Lundbeck, which is owned by a private foundation.

Lundbeck has specialised since the 1950s in drugs for the treatment of serious psychiatric disturbances, depression, schizophrenia and psychosis. Several of its preparations are market leaders in Europe.

The company recently announced a breakthrough in the treatment of schizophrenia with Sertindole, which is said to eliminate most of the side-effects associated with current drugs.

With a turnover of about DKr607m (£54m) in 1990, Lundbeck does not aspire to bring this drug to the market on its own, said Erik Sprunk-Jansen, managing director. It has signed agreements with Abbott, of the US, and Shionogi, of Japan, for clinical testing and marketing of the drugs in overseas markets.

Sertindole was discovered through computer molecular modelling. The drug is not a variant of earlier preparations, says Lundbeck, but an entirely new chemical.

The main problem with existing drugs is that they cause uncontrollable movements in the patient, especially tongue and mouth movements which are so socially distressing that patients often drop the treatment. Sertindole is without this side-effect and will therefore enable schizophrenics to function more successfully in a normal environment, says Lundbeck.

He expects the drug to be an important money-spinner for the company, but it will probably not receive regulatory approval and become commercially available before 1995 or 1996.

Hilary Barnes

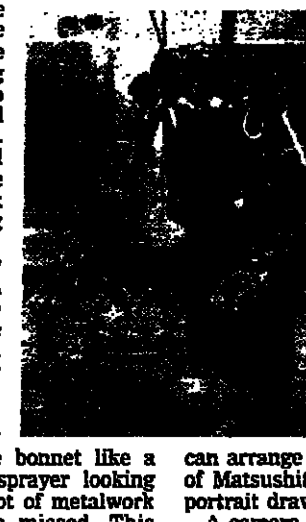
Robots display their artistic side

By Della Bradshaw

There is still a long way to go before the androids of "Star Wars" walk the streets of Los Angeles, Paris or London. But in Japan a far more down-to-earth approach to robotics has nevertheless produced machines which carry out tasks in an uncannily human way.

On show at the Science Museum, in London, as part of the UK's Japan Festival, 24 robots, many of them experimental, stalked, moved objects and played the electronic organ with a precision and flexibility that mere mortals would find difficult to match.

With the eerie likeness of human arms, two Fanuc robots worked together to produce small metal boxes. The first robot twisted and turned to assemble the sides of the box on the table, using suction pads to hold the metal plates in place. The second machine welded the box together using a laser.



Similarly mortal in appearance was Kobe Steel's robot for painting cars. The paint head weaved around the car and under the bonnet like a trained paint sprayer looking for the last spot of metalwork that had been missed. This robot, according to the manufacturer, is already being used in several Japanese paint shops.

To replace humans in hazardous environments Mitsubishi Heavy Industries has developed a yellow and black robot with a head, eyes, torso and arms. Remotely controlled, the robot duplicates the actions of the operator's hands and arms. At a safe distance from the nuclear power station or other dangerous area, the operator can even "feel" the robot fingers as they are guided to move objects or manipulate tools.

A walking robot, from Hitachi, could provide the missing motion system, with four legs, which step across the ground like a horse, putting one foot forward at a time, knees bending. The machine can walk up and down stairs, step over obstacles in its path or duck to avoid hanging obstacles, all at speeds of up to 2.5km an hour.

Several industrial robots, more used to the drudge of the production line, have been given time off at the show for more entertaining activities. Three Toshiba robots, in pastel shades of pink, blue and green, were spinning tops, one on top of the other, and playing the organ.

Meanwhile, a multi-purpose robot from Komatsu, dressed in a red, black and white costume and mask, played out the intricate movements of the traditional Japanese Shishi-mai dance. Freed from the day-to-day routine of welding or cutting steel, the machine also drew pictures by holding a brush in its "mouth".

Other uses for the robots were more frivolous. Yasakawa Electric has developed a pair of robotic arms which can arrange flowers, while one of Matsushita's robots took to portrait drawing.

A camera attached to a computer records data on a person's face, analysing the thickness and direction of the lines. The robot then uses this data to draw the portrait of the person.

And a golf putting robot, from Toyoda Machine Works, would seem to have few other apparent uses. Aided by a second robot which feeds information on the position of the golf hole to it via a computer, the putting robot lines up the club, takes several practice swings – just like its human counterpart – and then gives the ball a swipe.

Unlike the human golfer, however, the robot arm is not able to select its own club.

BUSINESS LAW

Double standards by the US

By Joseph Flom

THE sale of state enterprises in west Europe has created a buoyant market for financial advisers, lawyers and privatisation consultants. Privatisation in the Soviet Union and elsewhere in east Europe is likely to give rise to a similar demand. The US is a strong advocate of such economic reform. Washington has also pressed for privatisation policies in Latin America, Africa and Asia.

Yet, paradoxically, the US administration has done little to encourage domestic privatisation, even in those sectors where privatisation has occurred or is being pursued in other countries.

Except briefly during the Reagan era, when privatisation was an issue of ideological solidarity with former Prime Minister Margaret Thatcher's efforts in Britain, the US has found it easier to ignore vast areas of state ownership.

Ironically, despite the US's current enthusiasm for privatisation in the Soviet Union, practically every Soviet delegation visiting America will have to fly into government-owned airports; travel on state-owned roads, drink municipally-provided water; and have foreign aid shipped out of a government-owned port.

Historically, the question of privatisation has not received a high degree of official attention in the US for three reasons:

- First, government-owned enterprises are not owned primarily by the federal government, but are owned or controlled by state and local governments.

With the exception of the post office, a few regional electric power systems, Amtrak (railway) and the air traffic control network, which are federally owned, the bulk of publicly-owned assets in the US are held by state and local governments.

- Second, the American public seems more concerned with the provision of basic services, such as garbage collection and water services, rather than whether any big savings or benefits can be derived from their privatisation.
- Third, municipal unions are hostile to privatisation.

The fragmentation of government in the US acts to reinforce the status quo, rather than to promote sweeping new initiatives, such as privatisation. None the less, change is under way.

The inspiration for change comes more from budget realities than fervour for privatisation. Declining federal assistance, lower tax revenues and increasing public debt have reduced the amount of federal and local government funds available to the public sector.

At the same time, states and municipalities face a desperate need to rebuild schools, hospitals, bridges, roads, airports, water facilities and other infrastructure. The result is that more state governments are turning to the private sector for help.

The state governments' critical needs have given an impetus to privatisation initiatives. Last year California awarded concessions to private developers to build $2.5bn of toll roads. Eight international consortia submitted bids to the California Transportation Department and four were selected.

Among the members of the consortia are European companies such as the French tollway operators Transroute and Cofiroute and the Italian tollway operator Italstat (Autostrade Internazionale). The financing of the projects will also be international in scope.

Soviet delegations visiting America will have to fly into government-owned airports, travel on state-owned roads, and have foreign aid shipped out of a government-owned port

In Virginia, work is about to begin on another private toll road project. Goldman Sachs, the investment bank, has nearly completed financing for the $227m project. Other states are expected to follow suit this autumn.

Texas earlier this year awarded a French-American joint venture the concession to build the first high speed rail project in the country. The 590 mile railway will link the central business districts of Dallas, Houston and San Antonio and cost an estimated $5.5bn.

Since the Texas legislature has prohibited the use of any state money, the venture will probably involve the largest private project financing since the financing of the Channel Tunnel.

In Ohio, a private consortium led by Parsons, Brinkerhoff, is spending $1m on a study of a rail system linking Cleveland, Columbus and Cincinnati.

Bechtel International, the civil engineering group, in combination with Transrapid and Japan's C. Itoh & Co, have won the right to build a privately developed railway between Anaheim, California and Las Vegas, Nevada. Feasibility studies for the $5bn project are under way.

The use of private companies to dispose of sludge from sewage treatment plants is also growing. New Jersey is working to create the country's first sludge disposal utility – a $400m privately developed-and-owned facility.

A number of coastal cities are also exploring privatisation of sludge disposal services following a federal ban on ocean dumping which comes into effect at the end of this year. Holyoke, in Massachusetts, recently opted for a private plant to turn sludge into compost, while the authorities in Seattle, Washington, have selected a private company to dry and turn sludge into fertiliser pellets.

In addition to the growing volume of privatisation of new infrastructure, there is also a trend towards privatising existing infrastructure. Mr William Weld, governor of Massachusetts, recently announced that he favours selling off both the Massachusetts Turnpike highway and Boston's Logan airport. An analysis of the Logan airport privatisation is to be completed this month. The governor has formed a task force to pinpoint other privatisation targets.

The city of Los Angeles has hired consultants to advise it about the possible sale of its five airports, including Los Angeles International airport. A study undertaken in 1990 by the Reason Foundation, a California think tank, concluded that a sale of the 50 largest airports in the US could raise $24bn. The City of Buffalo privatised its port in 1987 and cargo growth increased by more than 100 per cent the following year.

Other state and local governments are actively seeking to identify properties that are under-utilised or undervalued, and which in the hands of the private sector might be more productive.

One such example is recreation facilities. A recent report by Arthur D Little, the accountants, indicates that 18 per cent of convention centres and 17 per cent of sports stadia are operated by the private sector. The company forecasts that 50-60 per cent of these facilities will eventually be privatised.

The Miami Beach Convention Centre and the Salt Palace in Salt Lake City were among other facilities considered for privatisation last year; the Spectacor Management Group recently concluded talks with the relevant authorities to take over the operation of both centres.

Spectacor, which has managed the Los Angeles Coliseum since 1988, also agreed last year to finance a $150m renovation of the stadium in return for a long-term lease of the facility.

The Congressional Budget Office estimates that $800bn is needed in additional spending on infrastructure to 2000; only $624bn has so far been allocated by state and local authorities. Governments at all levels acknowledge that the shortfall will have to be made up by private sector. Any private sector involvement will therefore be the key that also unlocks through privatisation the billions of dollars invested in state and local government assets which are currently idle.

The federal government, recognising these needs and opportunities, is taking steps to speed-up privatisation.

The Bush administration is planning to form a White House policy group, under the direction of Mr Dan Quayle, the vice president, to look into how certain federal regulations could be modified to encourage privatisation of infrastructure such as waste water facilities, airports and ports.

This new and developing trend of privatisation should create significant new opportunities for investors and improve services. Ultimately, it is likely to result in cheaper services and considerable budget savings for state and local governments.

The author is senior partner of the New York-based international law firm of Skadden, Arps, Slate, Meagher & Flom.

Aborigines seek injunction against nickel mine project

By Kevin Brown in Sydney

THE NGALIA Aboriginal Heritage Council has asked the Australian courts to stop a nickel mining project that they claim would interfere with sites of spiritual significance.

Mr Greg McIntyre, a lawyer acting for the Ngalia people, filed documents with the Western Australian Supreme Court seeking an injunction to stop development of the mine, at Yackabindie, 750 km (460 miles) north-east of Perth.

Dominion Mining, an Australian resources group, has permission from the state government for a A$350m (£161.9m)development at Yackabindie and has begun test drilling.

The federal government refused to intervene in the dispute recently after hearing evidence that a series of inquiries had failed to substantiate Aboriginal claims.

Ngalia aborigines say the site is an important element in religious beliefs relating to tales of the dragon fly and carpet snake during the Dreamtime, the Aboriginal creation story.

Aboriginal opposition to the Yackabindie project strengthened earlier this week when the Mutitjulu tribe at Ayers Rock, more than 1,000 km away in the Northern Territory, said they also believed it would disturb the carpet snake.

The court is likely to hear the application for an injunction within the next two weeks. Mr McIntyre said the Ngalia would return to court more quickly if test drilling threatened the sacred sites.

Aboriginal opposition to mining projects has been a sensitive subject in Australia since Mr Bob Hawke, the Prime Minister, over-ruled his cabinet earlier this year to block a gold, platinum and palladium mine at Coronation Hill in the Northern Territory.

Mr Hawke blocked the mine after local aborigines claimed it would disturb Bula, a spirit believed to be sleeping in the proposed site of the mine. Some mining industry leaders have warned exploration funds could be diverted overseas if access to land becomes too difficult.

Agreement on Mt Keith development

By Enrique Tessieri in Helsinki

OUTOKUMPU, the Finnish state-owned base metals group, and Western Mining of Australia, the western world's third largest nickel producer, have agreed to develop the Mt Keith nickel project in Western Australia as a 50:50 joint venture. The announcement follows weeks of battle between the two for control of Mt Keith.

Last Monday, Western Mining and Normandy Poseidon said that its A$1.11 a share bid was unconditional and would expire on October 23. On the same day AFP, a Monaco-based group which owns 37 per cent of Australian Consolidated Metals, the original partner in the Mt Keith project with Outokumpu, had accepted the offer.

Mr Risto Virrankoski, president of Outokumpu Metals & Resources International, said he was "satisfied with the deal" and expected that the other institutional investors of ACM would most likely end up accepting Western Mining's bid.

Nickel production from Mt Keith should have started last spring but new ore tests revealed a higher level of magnesia than showed up previously. Last July, and after new tests, Outokumpu announced that the magnesia problem was "manageable".

Production at Mt Keith was also stalled by Western Mining and Normandy Poseidon's attempt to gain control over the mine. Mr Virrankoski said that all these events have put production at Mt Keith "a half a year behind schedule" for Outokumpu.

Outokumpu had planned originally to purchase 18,000 tonnes of nickel concentrate annually to feed its Harjavalta plant in western Finland but this will now drop to 14,000 tonnes, or half of the concentrate the mine will produce each year.

Transworld to search for gas in southern Oman concession

By a Special Correspondent

OMAN, one of the smallest oil producers in the Middle East, is to increase its natural gas exploitation substantially following the signing this week of a seven-year exploration agreement with Bermuda-based Transworld Oil.

Under the deal announced in Salalah by Mr Said bin Ahmed al-Shanfari, the Omani Minister of Petroleum and Minerals, the company will be allowed to test drill and survey the Haffar concession area in the southern desert region of Dhofar. The concession once belonged to Amoco.

The Omani government regards gas as an important diversification away from oil which currently accounts for 80 per cent of state revenue. The country's crude reserves are estimated at only 4.3bn proven barrels.

At the present production rate of 70,000 barrels a day it is forecast that output will one to a halt in 15-25 years. Exploration and extraction is also expensive in Oman's desert and mountainous environment on the southern edge of the Arabian peninsula.

Present gas reserves are estimated at 9.8 trillion (million million) cubic feet, of which 7.1 trillion cf are not associated with oil deposits.

The largest reserves are located at Yibal, 300 km (185 miles) south of Muscat, the capital, where shallow gas fields are estimated to have a potential yield of between 4-5 trillion cf.

This year there have been significant discoveries near Ghaba in central Oman, at depths between 4,500 and 5,000 feet, and in Sih Raul in the Wusta region, 320 km south of Muscat.

The latter was much deeper than normal – between 14,625 and 16,250 ft – indicating "clear and highly encouraging implications for the future". said Mr Shanfari.

Oman is committed to replacing valuable fuel oil with natural gas as a principle energy source. Present reserves are capable of meeting projected demand to the year 2015, says the ministry.

Desalination plants supplying Muscat with drinking water are powered by gas and so is the power for the light industrial area near the capital.

There are also plans to expand the national power grid with a widening network of rural gas power stations to replace the small diesel generating systems now serving isolated communities in the desert.

Brazilian wildcat tin mine to reopen

By Victoria Griffith in Sao Paulo

THE GOVERNMENT of the Amazonian state of Rondonia has decided to re-open Bom Futuro, one of the largest tin mines in the world, after 5,000 unemployed miners marched in protest in front of the governor's palace.

Mr Oswaldo Piana Filho, governor of Rondonia, ordered the closure of the mine in August, because of the miners' alleged disregard for the environment and suspected links with drug trafficking. The miners were forcibly evicted from the site by the federal police.

Re-opening of Bom Futuro to the self-employed tin miners carries some conditions, however. According to Mr Renaldo Soeiro, director of the Rondonian secretariat for ecological development, the mine will now be kept under constant vigilance by the state's environmental agencies, the federal police, and the state revenue service.

The decision to let the miners return was based on the economic hardship caused in the state by Bom Futuro's closure. Although the mine only employs about 5,000 miners, it indirectly sustains many local industries.

"The state has suffered a substantial drop in tax receipts due to the mine's closure," said Mr Soeiro, adding that in the towns' nearest the mine tax collections had fallen by up to 70 per cent.

The small-time miners' work in Bom Futuro still depends, however, on the outcome of their legal battle with the Ebesa mining company over rights to the area. For almost four years, the Rondonian miners' union has been fighting in court with this concern, which is owned by the mineral giant Paranapanema. A federal judge in Brasilia is expected to make a ruling on the situation later this month.

"The opening of the mine is a provisional measure to ease some of the economic troubles in the area," said Mr Soeiro. "If the miners continue to destroy the environment, or if we suspect that miners are laundering drug money the government will close down Bom Futuro again immediately," he explained.

● News that the Brazilian authorities expected tin exports this year to fall to 22,000 tonnes from the 1990 level of 30,500 tonnes had little market impact yesterday. Nor did the Bom Futuro decision appear to have influenced traders. The London Metal Exchange price for cash delivery closed unchanged at $5,585 a tonne, having recovered from an early fall.

Japan may seek iron ore price bargain

By Kenneth Gooding, Mining Correspondent

IRON ORE contract negotiations will be particularly tough this year and the Japanese consumers might press for a price cut from their Australian suppliers, analysts suggest.

Profit margins on Japanese steel are already under pressure and likely to be squeezed at least until the end of this year. In contrast, iron ore prices are among the very few which have remained high despite the recession in most of the industrialised world. Australian producers won increases of 7 per cent last year and 17 per cent in 1989.

"The risk is high that the extraordinarily good conditions for Australian iron ore producers are about to fade," says the resources research team at Burdett, Buckeridge & Young, the Australian stockbroker.

Mr Andrew Cooke, analyst at James Capel Australia, says: "Signs are emerging that suggest Australian iron ore producers will enter price negotiations at a time when steel producers are looking anxiously at the bottom lines of their balance sheets. Steel prices are not likely to rebound in the second half and it therefore seems unlikely that producers, both in Japan and elsewhere, will be willing to sacrifice already low or negative margins by paying more for iron ore."

Mr Phillip Crowson, chief economist for the RTZ Corporation, the world's largest mining company which accounts for about 8 per cent of world iron ore output, says he expects Japanese and German steel producers to press for a reduction in iron ore prices as an opening ploy in negotiations.

However, it is more likely that the iron ore producers will win a small price rise, one below the rate of inflation, he suggests.

The Burdett Buckeridge team says a small reduction in steel output in Japan in 1992 seems on the cards.

"It would be ironic, and typical of the mining industry, that this occurs as some expansion in iron ore output is evident. Additional incremental capacity is planned and proposed in Australia, with a significant proportion emerging in 1992.

"The lifting of sanctions against South Africa will give that country's mines scope to expand both production and exports. The benefits of the lower currency make South African exports competitive in the Asian region. While the volume of exports is relatively small, the important point is that it is another source of supply for the Asians."

Mr Cooke at Capels points out that, although iron ore prices in nominal terms have risen by about 5 per cent a year compound for 20 years, this has not been enough to keep pace with inflation in the OECD countries. There has been a 36 per cent fall in the price in US dollar terms since 1970 while in Yen terms the present iron ore price is only 10 per cent above the one negotiated in 1970 because of the consistent appreciation of the Yen during that time.

He says that the Japanese might want to give Brazilian iron ore producers special treatment in order to guarantee a long-term diversity of supply. Profits of the Brazilian producers are depressed and their future capital requirements are high.

However, says Mr Cooke, the Japanese steel companies might narrow the price differential between lump and fines iron ore, given that Australia is the predominant lump producer and Brazil is the important fines producer. This would give bigger price increases to the Brazilians while not overtly discriminating on price between Australia and Brazil.

Colombian flower power blooms

Sarita Kendall on the emergence of a world export leader

THE WORLD flower business is booming and Colombia has both the quality and the quantity of carnations, roses and chrysanthemums to stay ahead of its competitors. That was the message that came across strongly from international flower experts gathered in Bogota for last week's Carnation Symposium. An associated flower fair, with displays ranging from bronze pompoms to the locally-developed black anthurium, from Wellington boots to refrigerated trucks, re-affirmed the industry's vitality.

Colombia is second only to The Netherlands as a flower exporter, with some 8 per cent of the world market. In 20 years, earnings have risen from $1m to $229m and the huge plastic tents of producers have stretched over the high green plain, known as the Sabana de Bogota. The flower farms, varying from about four to 22 hectares (54 acres), are large compared with those of most other countries: growing for export is a company, rather than a family, business.

Climatic conditions on the Sabana de Bogota are ideal. It has plenty of light, few frosts and barely any seasonal change in temperature. Flowers can be produced all year round without any heating or cooling costs.

However, Colombia is not the only country with these advantages, according to Mr Reg Cox, of Shalimar Flowers, Kenya. He says: "Kenya has even better conditons, with clear skies and well-drained soils. The airport is good and it's only eight hours to Europe."

About 15 per cent of Colombia's flower exports go to Europe – primarily to the UK, Sweden and Germany. "Because there are no extremes of climate, Colombia can programme its crop and plant specifically for European holiday dates," says Mr Ruund Baarse, export manager of a Dutch carnation breeding company.

He explains: "Carnation prices have been good in Europe for the past year and Colombia has benefited from the cut in import tariffs. The limitation is freight capacity."

A new development in transport – the Freshtainer, with total atmospheric control of temperature, humidity and gases – may provide the answer to the freight problem. Freshtainers can be packed with eight tonnes of carnations and the Bogota-Hamburg journey by truck and sea takes 24-26 days.

Several shipments have already been sent to Germany and the UK. The flowers arrive in good condition because they are effectively put into hibernation. This system is a little cheaper than the cost of air freight to Europe.

However, the US is Colombia's most important market and air cargo services to Miami – the main flower distribution centre – has become much more reliable.

Because flowers have been used to camouflage cocaine in the past, boxes are searched on leaving Bogota and on arrival in Miami but handling procedures are speeding-up. For flowers, a delay at the airport or rough treatment can be fatal.

Colombia's competitive prices have brought a spate of legal actions in the US against alleged dumping and for other reasons despite the fact that exporters forego local tax incentives. Recent rulings reduced anti-dumping taxes on carnations and chrysanthemums. Now growers on the West Coast of the US arecomplaining that lax environmental controls give their Colombian competitors an unfair advantage.

The bigger Colombian companies have taken measures to prevent health hazards and to improve conditions for the largely female workforce. But one foreign flower breeder says: "I've seen some very careless spraying with dangerous chemicals, then the chemicals being dumped straight into water."

Some 95 per cent of US carnation imports are supplied by Colombia, as well as three-quarters of the chrysanthemums and 70 per cent of the roses supplied from abroad. This traditional market, which has been built-up around key dates, such as Christmas and Valentine's Day, is changing. The new emphasis is on supplying a small but growing year-round consumer who buys in the supermarket.

"The mixed bouquet is the future," says Mr Rodrigo de Narvaez of Imperial Flowers. "People don't want to go to the florist and have the trouble of choosing, they want to pick-up a pretty mix at the supermarket. Our other new product is the bunchkin, with very small flowers. It sits in a box and is easy to take on a bus."

Ironically, growers have not caught up with the change and so the green ferns used in bouquets have to be brought to Bogota from the US, then re-exported.

It can take years to develop new varieties and colours. The main variables for a top-class carnation are the strength of the stem, the size of the flower, colour, growing speed and, above all, resistance to diseases. like fulsarium. Different countries have different preferences – the UK is very strong on soft pink colours.

Scent, curiously ,is far down the list of priorities. "Colour and size matter most but if a flower has scent that's an advantage," comments Mr Luis Acevedo of Yoder Brothers, an international breeding company, which has developed six new varieties of disease-resistant carnation in Colombia.

Local growers are becoming increasingly sophisticated and more interested in breeding and diversifying. Charging royalties is a complicated business and there is a lot of plant-pirating but the Colombian government is planning to put through legislation to protect domestic and foreign breeders.

Spurred by their success and expertise, Colombian investors are looking elsewhere. Japan is a promising new market and Colombians are behind some new flower-growing ventures in Mexico, Central America and Ecuador.

"Colombia has the infrastructure, the climate and the technology, in fact they should be exporting agronomists," observes Mr Paul Daum, a US consultant.

"Now they've got the perishable marketing mentality, too and they're applying it to fruit exports."

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices moved to 11-month highs on the London Futures and Options Exchange yesterday in response to buying from a leading UK trade house and constructive technical influences. But dealers said the market ran into selling after peaking with the December position at £768 a tonne. The price closed at £760 a tonne, still £12 up on the day. Meanwhile nearby robusta coffee futures slid to the lowest for nearly two months after trade selling prompted by the overnight fall in New York. The November position touched £516 a tonne before closing £10 down on balance at £522 a tonne.

Precious metals continued this week's rally with gold putting on another $1.25 at $347.80 a troy ounce and platinum $2.35 at $355.10 an ounce. But traders said gold was meeting resistance as it approached to $350 level, the breach of which early last week appeared to be the signal for a fresh wave of Middle East selling. At the London Metal Exchange the copper market bounced following the falls on Monday and Tuesday to close £17 up at £1,326.50 a tonne. Traders said an early decline was reversed after the appearance of Japanese buying interest together with trade and speculative demand. But they expected resistance to be revealed by any further advance.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$17.40-7.45z	+.325
Brent Blend (dated)	$20.50-0.60	+.275
Brent Blend (Nov)	$20.40-0.45	+0.20
W.T.I. (1 pm est)	$21.75-1.80z	+0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$248-250	+1
Gas Oil	$195-196	+3
Heavy Fuel Oil	$72-73	
Naphtha	$203-205	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$347.8	+1.25
Silver (per troy oz)♣	408.5c	+0.5
Platinum (per troy oz)	$355.10	+2.35
Palladium (per troy oz)	$82.25	+0.75
Copper (US Producer)	108.5c	-1.5
Lead (US Producer)	34.0c	
Tin (Kuala Lumpur market)	15.02r	-0.08
Tin (New York)	259.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	102.82p	-0.02*
Sheep (dead weight)†	105.72p	-0.40*
Pigs (live weight)†	78.98p	+5.47*
London daily sugar (raw)	$235.5	+8.0
London daily sugar (white)	$260.0	+4.0
Tate and Lyle export price	£244.5	+4.5
Barley (English feed)	£116.0u	
Maize (US No. 3 yellow)	£143.0u	
Wheat (US Dark Northern)	£97.0	
Rubber (Oct)♥	51.50p	-0.25
Rubber (Nov)♥	52.00p	-0.25
Rubber (KL RSS No 1 Oct)	222.0r	-1.0
Coconut oil (Philippines)§	$457.5	-5.0
Palm Oil (Malaysian)§	$325.0	-5.0
Copra (Philippines)§	$295.0	-5.0
Soyabeans (US)	£160.5	+1.5
Cotton "A" Index	69.70c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct l-Sep/Dec u-Oct x-Sep y-Aug/Sep z-Nov |-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Oct	204.00	201.20	203.00	200.20
Dec	189.60	190.80	190.00	180.00
Mar	191.60	190.80	191.00	188.40
May	191.00	191.60	190.00	186.00
Oct	200.00	200.00	194.00	199.20
White	Close	Previous	High/Low	
Dec	287.0	286.5	286.5	283.5
Mar	287.0	286.5	286.5	284.2
May	284.0	283.0	283.0	282.0
Aug	285.0	283.5	283.4	283.2
Oct	286.0	284.0	283.9	283.0

Turnover: Raw 708 (1203) lots of 50 tonnes. White 1049 (1778)
Paris- White (FFr per tonne): May 1665, Aug 1677

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	20.44	20.23	20.56	20.28
Dec	20.38	20.17	20.44	20.25
Jan	20.23	20.03	20.30	20.24
Feb	20.13	19.90	20.13	
Mar	20.02	19.86	20.03	20.00
Jun	19.65	19.50	19.65	
IPE Index	20.25	20.41	20.25	

Turnover 7582 (29448)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	195.00	193.25	196.50	193.50
Nov	197.25	195.25	198.50	195.75
Dec	197.75	195.75	198.25	196.50
Jan	196.25	193.75	195.75	194.75
Feb	189.75	188.00	190.25	189.50
Mar	183.50	182.00	183.50	183.50
Apr	178.00	177.00	178.00	178.00
May	174.00	173.25	174.00	

Turnover 7910 (6264)lots of 100 tonnes

WOOL

MERINO WOOL prices are continuing to decline very gradually from week to week. Crossbreds are reasonably steady but no dearer. The overall impression is of a wool market in a very slow easier trend. The weight of stocks held more especially in Australia is a major factor overhanging the market. Soviet and related uncertainties on the demand side are also unhelpful to confidence. As for recession, while there have been some clear improvements in activity in the UK industry in the past six months, buyers throughout remain wary. The AWC indicator has fallen below the 500 cent mark and was 493 on September 18.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	723	712	729	724
Dec	760	748	768	758
Mar	797	786	803	792
May	816	805	822	812
Jul	836	825	841	833
Sep	855	845	858	851
Dec	876	865	879	870
Mar	900	889	902	900
May	918	907	919	
Jul	935	926	935	933

Turnover: 9463 (4139) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 17 949.84 (935.63) 10 day average for Sep 18 940.79 (936.15)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	502	510	508	498
Nov	522	532	531	516
Jan	541	556	552	538
Mar	560	571	568	558

Turnover:7071 (4019) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 17 : Comp. daily 66.50 (67.53) 15 day average 67.08 (66.97)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Oct	85.0		79.0	
Apr	125.5	119.9	125.5	120.0
May	140.0		135.0	

Turnover 566 (47) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	137.50		137.50
Dec	140.00	140.00	140.00

Turnover 45 (25) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Sep	1573	1586	1575	1568
Oct	1706	1700	1706	1691
Jan	1734	1725	1725	
Apr	1736	1734	1735	
BFI	1542	1545	1542	

Turnover 117 (298)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	115.50		115.50	
Nov	117.45	117.20	117.55	117.40
Jan	120.80	120.50	120.85	120.75
Mar	123.90	123.60	124.00	123.90
May	127.00	126.80	127.00	
Jun	128.50	128.25	128.50	
Barley	Close	Previous	High/Low	
Nov	113.70	113.35	113.70	113.60
Jan	117.40	116.90	117.40	
Mar	119.85	119.35	119.85	119.80
May	121.40		121.40	

Turnover: Wheat 647 (264), Barley 149 (27).
Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Oct	105.5	106.0	105.0	
Nov	106.5	108.5	108.9	108.0
Jan	106.0	106.5	105.5	
Mar	110.5		110.0	

Turnover:48 (70) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	135.04	134.53			
Oct	136.00	136.00	136.00	135.50	90
Nov	136.20	136.20	136.20	135.80	165
Dec	135.90	136.00	136.30	135.90	110
Mar	136.80	137.30	137.10	136.80	50
Sep	139.00		139.00	139.00	10

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 17,584 lots		
Cash	1204-6	1194-6	1201	1201-2		
3 months	1235-6	1224-5	1240/1230	1230-1	1238-9	-
Copper, Grade A (£ per tonne)				Total daily turnover 30,031 lots		
Cash	1326-7	1309-10	1326/1314	1313.5-4.5		
3 months	1325.5-6	1317-8	1326/1312	1317-8	1324-5	-
Lead (£ per tonne)				Total daily turnover 2,679 lots		
Cash	310.5-1.5	307-8	309/307.5	307.75-8		
3 months	320.5-1	318-8.5	321/318	318.5-9	320-0.5	-
Nickel ($ per tonne)				Total daily turnover 3,213 lots		
Cash	7620-30	7550-60	7630/7620	7620-30		
3 months	7670-80	7600-10	7740/7640	7675-80	7690-700	-
Tin ($ per tonne)				Total daily turnover 1,201 lots		
Cash	5580-90	5580-90		5570-5		
3 months	5660-70	5660-5	5670/5650	5645-50	5660-5	-
Zinc, Special High Grade ($ per tonne)				Total daily turnover 8,855 lots		
Cash	1027-9	1026-30	1029/1028	1028.5-9.5		
3 months	1048-9	1049-50	1050/1047	1048-8.5	1047-9	-

LME Closing £/$ rate: SPOT: 1.7317 3 months: 1.7123 6 months: 1.6964 9 months: 1.6812

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	347.60-348.00	
Opening	346.70-347.00	
Morning fix	348.00	200.461
Afternoon fix	348.30	201.528
Day's high	348.50-348.90	
Day's low	346.70-347.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.14	6 months	4.99
2 months	5.11	12 months	4.89
3 months	5.05		

Silver fix	p/fine oz	US cts equiv
Spot	236.10	409.40
3 months	241.90	414.75
6 months	247.50	420.35
12 months	259.35	432.75

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	348.25-349.25	201.50-202.00
Maple leaf	357.25-358.25	206.75-207.25
New Sovereign	85.00-86.00	49.25-49.75

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Dec	Oct	Dec
1150	66½	92		7½
1250	5	29½	38	43
1350	1	6	134	118
Copper (Grade A)	Calls		Puts	
2200	83	100	3	32½
2300	22½	48	31½	78
2400	2	19	110	148
Coffee	Nov	Jan	Nov	Jan
450	71	93		3
500	26	52	55	12
550	4	24	33	34
Cocoa	Dec	Mar	Dec	Mar
725	58	100	15	28
750	44	84	23	37
775	34	70	34	48
Brent Crude	Nov	Dec	Nov	Dec
2000	71		26	
2050	40			
2100	22	42	87	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	352.3	348.7	0	0
Oct	349.2	347.3	349.6	348.4
Nov	350.7	348.8	0	0
Dec	352.3	350.4	352.8	351.3
Feb	355.4	353.5	355.7	354.8
Apr	358.2	356.3	358.3	357.3
Jun	361.2	359.3	0	0
Aug	364.3	362.4	0	0
Oct	367.4	365.4	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	355.3	353.5	356.7	354.2
Jan	359.6	358.0	360.6	358.5
Apr	363.6	361.9	365.0	364.0
Jul	367.3	365.5	0	0
Oct	374.3	372.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	408.0	405.7	410.0	408.0
Oct	408.6	406.4	0	0
Nov	410.8	408.6	0	0
Dec	413.2	411.0	416.0	410.0
Jan	415.3	413.1	0	0
Mar	419.8	417.7	422.0	417.0
May	424.2	422.2	423.0	423.0
Jul	428.4	426.5	427.5	427.0
Sep	433.3	431.4	0	0
Dec	440.8	438.9	440.0	440.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	105.95	104.40	106.00	104.70
Oct	104.45	102.70	104.40	103.70
Nov	103.65	102.00	103.60	102.90
Dec	102.95	101.50	103.10	101.70
Jan	102.15	100.90	101.80	101.30
Feb	101.40	100.30	100.70	100.70
Mar	100.75	99.70	100.90	0
May	99.80	98.85	99.80	98.60
Jun	99.35	98.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	21.92	21.62	21.97	21.81
Nov	21.86	21.54	21.88	21.74
Dec	21.75	21.45	21.76	21.63
May	20.95	20.74	20.98	20.95
Jun	20.85	20.64	20.87	20.82

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	6190	6111	6200	6155
Nov	6300	6218	6305	6270
Dec	6410	6326	6410	6360
Jan	6445	6358	6445	6415
Mar	6055	5975	6055	6035

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1221	1230	1248	1215
Mar	1273	1281	1289	1270
May	1303	1306	1315	1300
Jul	1328	1330	1335	1330
Sep	1346	1352	1365	1365
Dec	1376	1382	0	0
Mar	1412	1429	0	0
May	1435	1456	1442	1440
Jul	1460	1479	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	84.20	83.85	84.30	83.75
Dec	88.15	87.55	88.65	87.30
Mar	91.25	91.10	91.75	90.50
May	93.85	93.25	93.80	93.00
Jul	96.35	96.00	96.00	95.50
Sep	98.75	98.50	0	0
Dec	103.50	102.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.06	8.98	9.08	8.89
Mar	8.93	8.86	8.94	8.76
May	8.87	8.84	8.87	8.73
Jul	8.85	8.80	8.85	8.73
Oct	8.80	8.77	8.81	8.73

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	65.30	66.73	65.37	64.75
Dec	66.46	67.35	66.50	65.68
Mar	67.72	68.00	67.74	67.20
May	68.38	68.88	68.39	67.95
Jul	68.93	68.35	68.99	68.50
Oct	67.75	67.60	67.75	67.75

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	119.85	118.10	119.90	118.10
Jan	118.20	117.25	118.20	117.10
Mar	119.00	118.10	119.00	117.75
May	119.95	119.00	119.95	118.75
Jul	119.95	119.05	119.00	119.00
Sep	119.95	119.05	0	0
Nov	119.95	119.05	0	0
Jan	119.95	119.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 18	Sep 17	mnth ago	yr ago
1641.0	1637.9	1639.1	1785.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 17	Sep 16	mnth ago	yr ago
Spot	117.66	117.61	116.29	128.43
Futures	122.71	122.98	119.71	132.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	609/0	600/4	609/0	602/0
Nov	617/4	611/4	618/0	610/4
Jan	627/4	621/6	628/0	621/2
Mar	637/4	632/0	638/0	631/4
May	642/6	636/0	643/4	636/4
Jul	646/2	641/4	646/4	642/0
Aug	642/0	638/0	0	0
Sep	613/0	608/6	622/0	612/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	21.15	20.86	21.15	20.85
Oct	21.11	20.86	21.18	20.82
Dec	21.46	21.22	21.57	21.20
Jan	21.68	21.40	21.72	21.48
Mar	21.99	21.72	22.05	21.85
May	22.26	21.97	22.32	22.20
Jul	22.50	22.30	22.50	22.40
Aug	22.60	22.40	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	203.4	202.3	203.7	200.4
Oct	200.2	199.5	200.5	197.3
Dec	197.1	196.6	197.7	194.8
Jan	194.7	194.6	195.6	193.3
Mar	193.0	192.5	193.5	191.5
May	190.7	189.2	191.2	188.7
Jul	188.2	187.4	189.0	186.8
Aug	187.0	185.2	186.5	185.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	252/6	251/0	253/0	248/6
Dec	257/0	255/0	257/2	254/2
Mar	264/0	262/0	264/0	261/4
May	268/2	265/6	268/2	265/6
Jul	270/2	268/2	270/4	268/0
Sep	256/0	254/2	257/0	254/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	333/4	331/4	333/6	330/6
Dec	334/6	333/4	335/0	332/0
Mar	338/0	337/4	338/0	335/4
May	331/6	331/6	332/0	328/4
Jul	316/4	316/4	316/2	314/0
Sep	322/0	322/0	322/0	320/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	72.30	71.70	72.45	71.85
Dec	75.45	74.77	75.55	74.80
Feb	73.95	73.35	74.00	73.47
Apr	74.25	73.67	74.40	73.72
Jun	72.05	71.42	72.10	71.55
Aug	70.20	69.50	70.30	69.85

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	45.57	45.35	45.82	45.10
Dec	44.97	44.57	45.10	44.45
Feb	44.05	43.85	44.10	43.45
Apr	41.95	41.85	42.15	41.80
Jun	46.35	46.15	46.40	46.15
Jul	46.52	46.85	46.75	46.45
Aug	45.07	45.25	45.10	44.95

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	49.45	49.07	49.50	48.86
Mar	49.45	49.07	49.50	48.85
May	50.60	50.12	50.60	50.00
Jul	50.75	50.40	50.75	0
Aug	48.65	47.90	48.65	0

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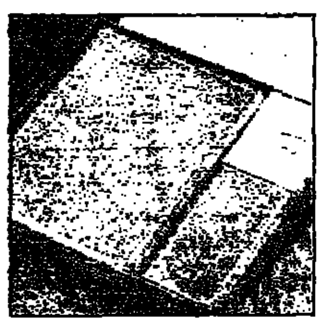

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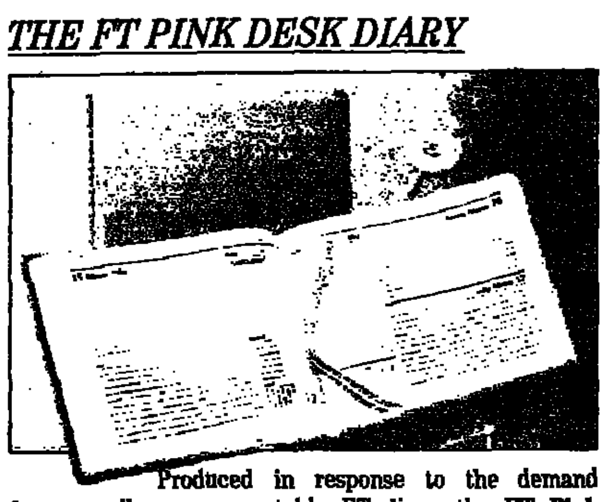
THE FT PINK DESK DIARY



Produced in response to the demand for a smaller, more portable FT diary, the **FT Pink Desk Diary** with its FT-pink pages is quite unique. Its distinctive size and shape make it equally at home on a desk or in a briefcase. Although compact, it contains a wealth of business information, and its innovative page a day layout allows ample space for each day's notes and business expenses. It is covered in black *bonded leather.

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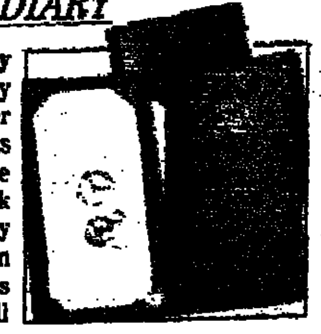
THE FT PINK POCKET DIARY

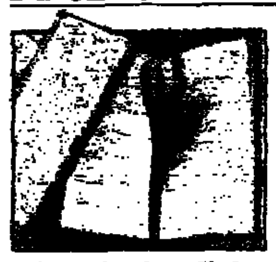
The **FT Pink Pocket Diary** with its unique week to view landscape format has the same information as the FT Pocket Diary and is hugely popular. It is covered in black *bonded leather.

THE FT WALLET DIARY



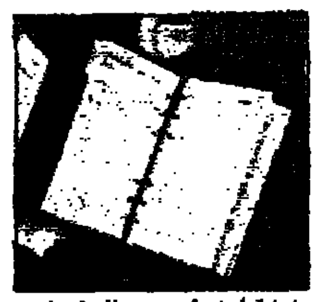
The **FT Wallet Diary** features the FT Pocket Diary bound into a black leather wallet with gilt corners. Its discreet good looks are further enhanced by a black moiré silk lining and a handy notepad. There's more than adequate space for receipts and bank notes of all denominations.

THE IMPROVED FT SLIMLINE POCKET DIARY



The **FT Slimline Pocket Diary** slips easily into your pocket.
It has a fortnight to view format and is bound in black *bonded leather with FT-pink paper and matching ribbon. The new overseas and UK information guides, London Underground, city and west end maps, make it ideal for the executive on the move.

THE FT PERSONAL ORGANISER



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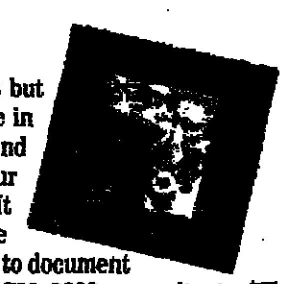

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THE FT COLLECTION

LONDON STOCK EXCHANGE

Further setback wipes out early gains

By Terry Byland, UK Stock Market Editor

AN ATTEMPTED rally in a UK stock market under increasing pressure from discomforting trading reports from British companies proved unsuccessful yesterday and share prices slid away towards the close. Confidence was unsettled by reports that US aircraft would move to Saudi Arabia to compel Iraq to comply with the United Nations ceasefire resolutions.

The latest blow on the corporate front came when shareholders of Asda, the food retailing group, were warned of a "significant deterioration" ahead for 1991-1992 results. The Asda statement, following news this week of sharply lower UK retail sales in August and of slower growth at Tesco, the premier food supermarket, cast further doubts over expectations of a consumer-led recovery from the domestic recession.

Account Dealing Dates		
*First Dealings:		
Sep 2	Sep 16	Sep 30
Option Declarations:		
Sep 12	Sep 26	Oct 10
Last Dealings:		
Sep 13	Sep 27	Oct 11
Account Day:		
Sep 23	Oct 7	Oct 21

*New-time dealings may take place from 9.00 am two business days earlier.

The food manufacturing and retail sectors were sharply depressed by the Asda developments. Share prices were marked down across the broad range of the consumer stocks although selling was selective.

The equity market began to look uneasy at the close. Traders believed that one large overseas seller was looming over London, acting through a single UK marketmaking firm which has been offering stock for the past three sessions. There were signs that a large line of stock in BICC had come on offer early in the day, in a deal which failed to come to fruition.

After at first climbing 10 points to regain the 2,600 mark, the FT-SE Index fell away steadily in the afternoon to close 10.8 down at 2,583.6. Trading strategists pointed nervously to Footsie 2,575 as the nearest support level.

Once again, the market was described as stock specific; Seaq volume reached 673.2m shares, against 699.1m on Tuesday, with yesterday's figure including trading of 55m shares in Asda, 36m in Hanson, 24m in Racal Electronics and 11m in Vodafone.

Since last Thursday, UK equities have fallen by around 2.2 per cent as the flow of corporate results has brought unsettling developments in a stock market pinning its faith on economic recovery. The Governor of the Bank of England said yesterday that while confident that the UK was coming out of recession, he "would be cautious on interest rate cuts."

The decline in share prices has taken place despite a background of more than £1bn in takeover bids, launched by Hanson for Beazer and by Williams Holdings for Racal Electronics. Takeover activity is conventionally seen as a sign of investor confidence and strategists had hoped that, with bid activity less prominent yesterday, share prices might have staged a recovery.

The stock market faces several more hurdles in the shape of corporate trading reports over the next week. In particular, there is some nervousness ahead of trading news from the building and construction sector which will be eagerly scanned for the latest evidence on the strength, or otherwise, of the economic recovery.

There were also hints yesterday that another sizeable rights issue was in the offing, perhaps as funding for the next bid among Footsie-listed stocks.

● The FT-SE 100 Steering Committee yesterday held its quarterly review of the index components and decided to include Northern Foods in the FT-SE list and to remove Ultramar.

Asda warning shocks

ASDA shares slumped by almost 29 per cent in the heaviest day's trading for more than four years after the company warned that profits and dividends would fall.

At the annual meeting, Sir Godfrey Messervy, the chairman, said: "We foresee a very significant deterioration in our results for 1991/92." The interim dividend could be as low as 1.25p, compared with last year's interim of 1.85p, he added.

Analysts dropped their profits forecasts for the whole year from around £170m-plus to less than £100m in many cases. They and traders agreed that the shares would have fallen further yesterday if there had not been a bout of bid speculation. The consensus was that a UK predator was less likely than one from elsewhere in Europe.

Asda fell 27 to 67p on turnover of 55m, representing almost 5 per cent of the number of shares in issue. It also topped the list of actives in the traded options market, where the equivalent of more than 3m shares changed hands.

Jitters over how other food retailers might be faring sent Argyll 6 lower to 289p and Tesco down 7 to 259p, while Marks and Spencer, whose food retailing business is increasingly important, weakened 9 to 269p.

Demand for Hanson

UK institutions piled into Hanson, pushing turnover to 36m, the highest for more than three years. It was the third session in a row with more than 26m shares changing hands; nearly 2 per cent of Hanson shares have been traded this week.

The dominance of buyers in the wake of Hanson's agreed takeover bid on Monday for Beazer was reflected in an advance of 6 for Hanson shares yesterday to 224p. Traders pointed out that even at this level, the shares are only just above a three-year relative low against the market.

BICC uncertainty

BICC, the cables and construction group, came under sustained pressure, retreating 9 to 404p as dealers marked the shares lower on stories that a big placing was imminent.

It was felt that one of London's leading agency brokers was trying to place 10.25m shares at around 400p each. The Seaq delayed ticker showed no evidence of any trades at that price, however, and it was thought that the placing had been aborted. Turnover was shown as 471,000 shares.

Dealers said the 10.25m shares, equivalent to a 3.7 per cent stake in BICC, could have come from Fornara, the Italian group, which acquired the stock from BICC at the turn of the year.

BICC stock has come under pressure over the past two weeks, with several broking houses, notably UBS Phillips & Drew, taking a bearish stance. UBS told its clients to sell the shares at 456p.

National Power and PowerGen were in good form, responding to their underperformance against the wider market since mid-July, and to recent strong buy recommendations from two broking houses, Kleinwort Benson and Salomon Brothers. There was also talk of a series of US promotional roadshows.

PowerGen gained 4 to 171p on 2.3m traded and National Power added 3¼ at 156¼p on 5.2m.

More intense activity developed in Racal Electronics, where traders continued to search for evidence of yet more stakebuilding and the identity of possible counter-bidders. Turnover in Racal came out at 24m shares and included substantial bouts of profit-taking, interspersed with talk of stakebuilding and keen speculative support.

The shares closed a penny easier at 56¼p. Vodafone ran up 8 to 358p in spite of hints that one of the big US investment banks, a strong supporter of Vodafone since its flotation three years ago, had placed a line of 4m shares at 356p. A block of 4.4m changed hands at 353p minutes later.

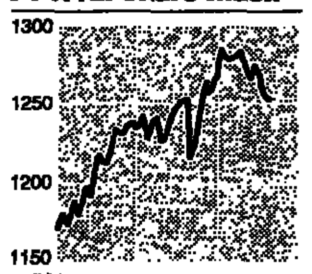
Midland Bank outpaced the rest of the sector, with dealers mentioning a substantial switch operation out of NatWest and into Midland and plenty of straight buying interest in the latter. Midland was up 8 at 246p, having touched 248p, with turnover a higher than usual 9.1m. The switch consisted of 2.4m Midland bought at 249p and 1.7m NatWest sold at 346p. NatWest closed 4 lower at 344p on turnover of 3.6m.

Oils were in better shape after recent weakness. BP shrugged off rights issue stories and firmed 2 to 330p. Lasmo was strong on highly encouraging drilling news from Italy, where its Tempo Rosso 2 well, drilled off the coast of southern Italy, tested over 3,000 barrels of oil a day. Lasmo, badly hit by a big selling order recently, picked up 2 to 298p, reflecting its 40 per cent stake in the discovery. Enterprise, with a 33 per cent stake in the licence area, rose 6 to 513p.

Reuters advanced at the expense of Unilever as County NatWest replaced the latter with the former in its list of 30 favoured shares. The price moves were additionally encouraged by more bullish noises on Reuters from US securities houses and a recommendation from S.G. Warburg that investors should switch out of the Unilever plc shares into the NV.

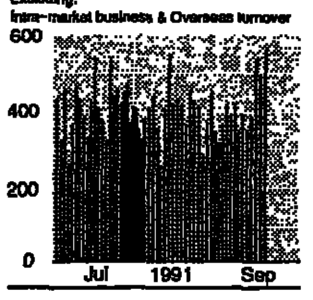
The plc slipped 9 to 745p while the NV, quoted in London, rose ⅛ to £48⅝. Reuters firmed 12 to 936p, its highest for a year.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Hawker Siddeley rose 9 to 602p on turnover of 1m ahead of today's interim results

Rolls-Royce gained 3¼ to 142¼p on turnover of 6.8m after Lehman Brothers put the stock on its list of recommended buys for US investors. Mr Keith Hodgkinson, at the securities house, said: "The company is through the worst. We can look to more positive factors such as progressive recovery in civil aerospace spares, a gradual reduction in R & D costs and favourable currency movements."

British Aerospace closed 3 up at 404p on good turnover of 5.7m as the company held a meeting for investors in Scotland. Buying was noted around the 400p level.

British Steel edged forward 1½ to 126p on turnover of 8.9m. UBS Phillips & Drew, the company's broker, favours the stock and published a note on British Steel, due to land on investors' desks today.

Kwik-Fit forged ahead 14 to 169p after reporting a 67 per cent improvement in interim profits to £16.7m, well ahead of market forecasts.

Aberfoyle Holdings tumbled following news that the company could be put into administration should it fail to raise additional funds. At one stage the shares were down 5¼ at 4¼p but later steadied to close a net 4 off at 6p.

Nervousness ahead of today's results affected Laporte, which slipped 4 to 558p.

BET saw another heavy turnover as the company held presentations for large shareholders and institutions yesterday. Buyers were encouraged after meeting Mr John Clark, the new chief executive, while sellers decided that the shares had risen to the point where it was time to take profits. The stock gained 4 to 227p on 9.4m shares traded, following Tuesday's volume of 11m.

Brewery products maker Alumasc rose 16 to 304p on annual results and a confident statement from the chairman.

USM-quoted Jeyes Group, maker of household cleaning products, improved 12 to 380p following a 19 per cent boost in half-year profits reported on Tuesday.

MB-Caradon declined 5 to 245p as investors reconsidered Tuesday's interim results.

Institutions continued to buy blue chip stocks selectively. Traders reported steady client business in Reed International, 8 higher at 491p, and Tate & Lyle, 6 better at 403p.

The pick of the property issues advanced similarly, with MEPC adding 8 at 500p and British Land 7 at 330p.

Among smaller property shares, Merivale Moore gained 10 to 148p, while further consideration of results this week from Brixton Estates left the stock 6 lower at 206p.

MARKET REPORTERS:
Daniel Green,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (169).
BRITISH FUNDS (41) Tr 8pc '92-96, Cnv 10pc 1996 B, Tr 13¼pc 1997, Tr 8¾pc 1997, Ex 15pc 1997, Ex 9¾pc 1998, Tr 6¾pc '95-98, Tr 15½pc 1998, Ex 12pc 1998, Tr 9½pc 1999, Tr 10½pc 1999, Cv 10¼pc 1999, Cv 9pc 2000, Tr 13pc 2000, Tr 10pc 2001, Tr 14pc '98-01, Tr 9¾pc 2002, Tr 10pc 2003, Tr 11½pc '01-04, Fd 3½pc '99-04, Cv 9½pc 2004, Cv 9½pc 2005, Tr 2½pc '03-05, Tr 8pc '02-06, Tr 11¾pc '03-07, Tr 8½pc 2007, Tr 13½pc '04-08, Tr 9pc 2008, Tr 8pc 2009, Cv 9pc 2011, Do. A, Tr 6¼pc '08-12, Tr 7¾pc '12-15, Ex 12pc '13-17, Tr 2pc IL 1996, Cons 4pc, War Loan 3½pc, Cv 3½pc '61, Tr 3pc '66, Cons 2½pc, Tr 2½pc, INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2014, Int-Amer. Dev 9¾pc 2015, CORPORATION LOANS (2) Leeds 13½pc 2006, Manchester 11½pc 2007, FOREIGN BONDS (1) Hydro Quebec 15pc 2011, AMERICANS (1) Merrill Lynch, BANKS (2) Bank of Scot. 9¼pc Prf., Warburg (SG), BREWERS (1) Marston Thompson, BUILDINGS (2) Brit. Dredging, Raine, CHEMICALS (3) BTP, Halstead (J), Jeyes, STORES (4) Amber Day, Essex Furn., Formminster, T & S, ELECTRICALS (18) ACT, Betacom, CPU Computers, Domino Printing, Druck, Electron House, Hartland Simon, Kembrey, MTL Instruments, Menvier-Swain, Misys, Norbain, Pressac, Process Systems, Racal Electa., Volex, ELECTRICITY (1) PowerGen, ENGINEERING (3) Castings, Powerscreen, Victaulic, FOODS (8) BSN, Brake Bros, Cadbury Schweppes, Morrison (Wm), Nichols (Vimto), Tate & Lyle, Do. 7.28pc Prf., Watson & Philip, INDUSTRIALS (31) AAH, Allsprung Furn., Alumasc, Assoc. Brit. Ports, Avon Rubber, BET, BSS, CRT, Charter Cons., Comac, Community Hospitals, Cornwell Parker A, EIS, Faber Prest, Great Southern, Kalon, Mayborn, Mining & Allied Supplies, Norcros, Page (M), Porter Chadburn, Reuters, Scott Pickford, Serco, Spring Ram, Stag Furn., UDO, Vinten, Warner Howard, Wilshaw, Worcester, INSURANCE (3) Britannic, Domestic & Gen., Steel Burrill Jones, LEISURE (4) Central TV, [illegible] Units, River & Merc. Amer. Inc., St David's Inc., Templeton Dual Inc., Tor Inc., OILS (1) Brit. Gas, MINES (1) Doral Res.
NEW LOWS (19).
BUILDINGS (1) Sindall (W), ELECTRICALS (2) Burnfield, Lec Refrigeration, FOODS (1) ASDA, INDUSTRIALS (5) Aberfoyle, Brit. Aerospace, Nestor-BNA, Nobo, Tamaris, MOTORS (1) Bostrom, PAPERS (1) Repola, PROPERTY (1) Speyhawk, TRUSTS (1) JF Pacific Wrmts., OILS (5) Alliance Res., Clyde Pet., Goal Pet., NZ Oil & Gas, Ultramar, MINES (1) Ennex.

FINANCIAL TIMES STOCK INDICES

	Sept 18	Sept 17	Sept 16	Sept 13	Sept 12	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.94	87.38	87.44	87.48	87.16	78.45	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.99	96.63	96.07	96.07	95.91	87.01	96.99 (18/9)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2007.1	2037.9	2051.0	2067.8	2085.0	1578.1	2108.3 (2/9)	1809.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	159.2	155.6	155.0	154.4	156.4	182.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2583.6	2594.4	2606.0	2625.8	2641.9	2065.8	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1170.39	1174.54	1173.55	1183.12	1182.93	-	1198.60 (3/9)	938.82 (16/1)	1198.60 (3/9/91)	938.82 (16/1/91)
●Ord. Div. Yield	4.76	4.73	4.71	4.67	4.63	6.02				
●Earning Yld %(full)	7.67	7.63	7.60	7.52	7.47	12.03				
●P/E Ratio(Net)(☆)	16.27	16.36	16.43	16.60	16.72	9.60				
SEAQ Bargns 4.45pm	27,578	27,825	26,609	36,289	31,169	17,418				
Equity Turnover(£m)†	-	1,265.93	896.99	1,163.70	926.07	742.22				
Equity Bargains†	-	27,854	26,974	36,504	31,441	16,968				
Shares Traded (ml)†	-	563.6	495.4	532.5	395.8	334.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 15.48

Ordinary Share Index, Hourly changes — Day's High 2043.3 — Day's Low 2007.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2035.9	2037.3	2040.9	2041.8	2043.2	2042.1	2036.6	2017.5	2012.7

FT-SE 100, Hourly changes — Day's High 2604.4 — Day's Low 2583.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2593.3	2599.0	2602.5	2603.1	2604.2	2602.8	2597.2	2588.3	2585.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1178.87 — Day's Low 1169.82

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1178.11	1178.05	1176.12	1178.36	1177.53	1175.01	1171.64

GILT EDGED ACTIVITY

Indices*	Sept 17	Sept 16
Gilt Edged Bargains	81.5	73.1
5-Day average	82.8	85.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	15	491	-7	Cookson	562	128	-2	Lucas	521	148		Severn Trent Water	1,100	352	-1
ASDA Group	55,000	67	-27	Courtaulds	1,300	489	-4	MB Caradon	1,300	245	-5	Shell Transport	3,600	504½	-1½
Abbey National	1,500	290	-2	Dalgety	789	415	-5	MEPC	1,900	500	+8	Siebe	281	613	
Albert Fisher	340	302		De La Rue	417	456	+1	Manweb	360	357	+2	Slough Ests	979	279	+2
Allied-Lyons	2,800	690	-5	Dixons	3,400	285½	-4½	Marks & Spencer	4,900	269	-9	Smith (W H) A	107	441	-6
Amstrad	1,600	53	-2	ECC Group	11	459	-3	Maxwell Comms	55	172½	-½	Smith & Nephew	1,400	138	-2½
Anglian Water	796	397	-7	Eastern Elect	723	183	-1	Midland Bank	9,100	246	+8	SmKl Beecham	2,600	767	-3
Argos	509	322	-6	East Midland Elect	431	210	-1	Midlands Elect	385	206	-1	SmKl Beecham Uts	30	[illegible]	-2
Argyll Group	3,300	289	-7	Enterprise Oil	1,530	513	+6	NFC	1,700	218	+3	Smiths Inds	574	280	+3
Arjo Wiggins	2,400	265	-1	Eurotunnel Units	1,000	500	+5	NatWest Bank	3,600	344	-4	Southern Elect	586	207	+1
Ass Brit Foods	198	398	-3	FKI	2,200	72	+2	National Power	5,200	156¼	+3¼	South Wales Elect	346	267	+1
BAA	1,000	455	-1	Ferranti	0	8½		Next	1,000	45	+½	South West Water	389	383	-3
BAT Inds	2,100	843	-6	Fisons	4,300	484		North West Water	2,800	377	-8	South West Elect	448	208	+1
BET	9,400	227	+4	Forte	3,000	270	-8	Northern Elect	1,000	214	-1	Southern Water	2,600	345	
BICC	471	404	-9	Gen Accident	373	543	-1	Northern Foods	1,800	538	+9	Standard Chartd	1,900	353	-3
BOC	696	576	-3	General Elect	11,000	189	-1	Norweb	219	227	+2	Storehouse	3,100	118	-3
BPB Inds	464	202	-4	Glaxo	1,700	1331	-3	Pearson	454	758	-2	Sun Alliance	3,000	349	+3
BTR	4,300	424	+2	Glynwed Intl	13	252		P & O	377	512	-9	T&N	28	172	-1
Bank of Scotland	736	116	-1	Granada	590	173	+1	Pilkington	2,500	164	-3	TI Group	101	632	-1
Barclays	2,700	463		Grand Met	1,600	803	-14	PowerGen	2,300	171	+4	TSB	3,600	145	-3
Bass	2,300	960	+1	GUS A	408	1348	-14	Prudential	4,000	251	-2	Tarmac	1,900	219	-10
Beazer	5,100	117	+1	GRE	1,100	191		RHM	891	288	-5	Tate & Lyle	2,400	403	+6
Berisford Intl	87	35		GKN	954	380	+7	RMC	201	858	-15	Taylor Woodrow	199	198	-4
Blue Circle	804	264	-4	Guinness	4,400	938	+3	RTZ	2,900	539	-5	Tesco	12,000	259	-7
Booker	16	477	-3	Hammerson 'A'	669	633	+1	Racal	24,000	56¼	-1	Thames Water	1,000	385	-6
Boots	2,900	430½	-9½	Hanson	36,000	224	+6	Rank Org	750	702	-14	Thorn EMI	873	789	-4
Bowater	59	672	-1	Hanson Warrants	6,000	30½	+1	Reckitt & Colman	2,200	865	-13	Tomkins	1,400	408	-4
Brit. Aerospace	5,700	404	+3	Harrisons Crosfield	1,100	155	-2	Redland	2,000	574	-4	Trafalgar House	834	238	+1
British Airways	2,800	182	-1	Hawker Sidd	1,500	602	+9	Reed Intl	2,800	491	+8	Ultramar	1,500	247	-3
British Gas	7,000	277½	+2½	Hillsdown	4,600	256	+1	Rentokil	91	379	-2	Unigate	831	329	-1
British Land	1,600	330	+7	IMI	319	249½	-2½	Reuters	2,200	936	+12	Unilever	1,800	745	-9
BP	10,000	329½	+1½	ICI	2,500	1287		Rolls Royce	6,800	142¼	+3¼	United Biscuits	883	402	
British Steel	8,900	126½	+2	Inchcape	721	392		Rothmans	426	1064	+1	Utd. Newspapers	411	398	-1
British Telecom	2,700	394	-3	Kingfisher	3,900	554	-5	Ryl Bk Scotland	318	189	-2	Vodafone	11,000	358	+8
Bunzl	1,600	90		Ladbroke	818	269	-1	Royal Insurance	520	388	-3	Wellcome	297	745	+1
Burmah Castrol	18	557	+1	Land Securities	781	535	+3	Saatchi	278	18		Welsh Water	565	383	-3
Burton	4,900	47	-½	Laporte	37	558	-4	Sainsbury	4,100	352	-3	Wessex Water	1,100	413	+7
Cable & Wire	3,100	564	-8	Legal & General	817	436	+3	Scottish & New	927	402	-2	Whitbread 'A'	1,100	480	-8
Cadburys	2,600	419	+2	Lloyds Abbey	84	429	-1	Scot. Hydro-Elect	1,400	113½		Williams Hldgs	2,000	332	-5
Calor Group	724	237	-2	Lloyds Bank	1,000	393	-5	Scottish Power	4,800	100	-½	Willis Corroon	332	310	-2
Carlton Comms	972	514	+4	LASMO	1,800	298	+2	Sears	12,000	92	-1	Wimpey	719	188	+3
Coats Viyella	2,700	182	-3	London Elect	293	210		Sedgwick	438	285		Yorkshire Elect	2,800	244	-1
Comm Union	373	513	-2	Lonrho	275	232	-1½	Seeboard	131	206		Yorkshire Water	43	410	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

CONFIDENCE faded in the futures market yesterday as long positions, speculation over a date for the UK elections and revived Gulf jitters percolated through the dealing room, writes Peter John.

The September Footsie future failed to rally in the morning and it was knocked by around 10 points at midday when two US houses sold heavily ahead of the opening of Wall Street.

It came back to its estimated fair value (presently calculated at between 6 and 9 points above the underlying cash index) and then bounced back as institutions bought the derivative to sell the index.

At the official close, the September contract was 2,603, down 8 and at a premium of 18 to the index, with more than 5,500 lots dealt.

Turnover in traded options was relatively healthy, although still below the 30,000 contracts the options market needs to break even. Asda was the busiest stock option with just over 3,000 contracts dealt as the volatility in the underlying market prompted good two-way business.

Hanson was popular with 2,247 lots traded and business in Rolls-Royce was also brisk with volume boosted by one house selling 1,000 of the December 130 calls.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¼	99¼	Exch. 11pc 1991	100¼		10.99	10.06
99½	96	Treas 8pc 1991	99½		8.04	[illegible]
101½	100	Treas 12¾pc 1992‡‡	100¾		12.64	[illegible]
100¼	97¾	Treas 10pc 1992	100		10.00	[illegible]
132¾	125	Treas. 2pc IL 1992‡‡	132		2.00	[illegible]
99	95	Treas. 8pc 1992‡‡	99		8.07	[illegible]
100	98½	Treas 10½pc Cv 1992‡‡	100	-⅛	10.46	[illegible]
96	91	Treas. 3pc 1992	96		3.11	[illegible]
102	100	Exch. 12¼pc '92	102		11.99	[illegible]
104¼	102	Exch 13½pc 1992	103		13.01	[illegible]
98	94	Treas 8¾pc 1993	98		8.40	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103	94	Treas 10pc 2003	103⅝	+1	9.65	9.47
110	102	Treas 11½pc 2001-04	110	+1	10.39	9.73
62	55	Funding 3½pc '99-04	62	+⅛	5.64	8.37
100	90	Conversion 9½pc 2004	100	+1	9.48	9.45
100	90	Conversion 9½pc 2005	100	+1	9.47	9.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing [illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107½	95	African Dv Bk 11¼Ln 2010	107½	+¾	10.34	10.19
102¼	91	Asian Dev Bk 10¼pcLn2009	102¼	+¼	10.02	9.97
116	105	Int-Am Dev Bk 12½pc 2003	115¾	+1	10.81	10.13
97	86	Do. 9¾pcLn 2015	97	+¾	10.03	10.05
125	101	Utd Mexican States 16½pc 2008	124½	-¼	13.25	12.90

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Prudential Holborn marketing director

PRUDENTIAL HOLBORN has appointed Mr John Browne as marketing director. He was formerly the company's business planning director.

Mr Browne's new role will combine responsibility for the company's national accounts function, following the departure of Mr Robert Leach, who is joining Greenwell Montagu Stockbrokers as a director and head of financial services.

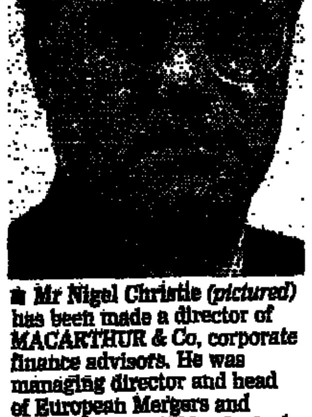
■ N. BROWN GROUP, the direct mail retailer, has announced changes in management responsibilities within the group and J.D. Williams, its trading subsidiary.

Mr Alan White, finance director of N. Brown, will assume full responsibility for information technology throughout the group in addition to his current responsibilities. Mrs Daphne Taylor is promoted to company secretary of N. Brown.

Within J.D. Williams, Mr Ian Macfarlane will become administration director. He was head of the computer department. Mr Michael Greenwood has moved from the administration department to become operations director.

■ BMK, one of the UK's leading carpet manufacturers, has named Mr E.J. Fuller as managing director, which follows the departure of Mr A. Watson.

Mr Fuller had recently been appointed to the board of BMK and is already managing director of BMK (Holdings), the broadly based group of companies owned by Mr J.L. Logue, BMK's chairman.



■ Mr Nigel Christie (*pictured*) has been made a director of MACARTHUR & Co, corporate finance advisors. He was managing director and head of European Mergers and Acquisition at Kidder Peabody International, and prior to that managing director at S.G. Warburg in New York.

From 1978 to 1985 Mr Christie was in the corporate finance division of Kleinwort Benson, where Mr John MacArthur, who founded MacArthur & Co in 1988, was for many years a senior corporate finance director.

■ LLOYDS BANK INSURANCE SERVICES has named Mr Simon Waugh as marketing director. He joins after 14 years with American Express, last serving as national sales director, UK.

■ Mr Kevin Wilson has been appointed to the board of WAGON INDUSTRIAL HOLDINGS, with responsibility as chief executive of the automotive products division. He was previously with BTR as group managing director, Dunlop Automotive Division.

■ Mr Mark Wellesley-Wood has rejoined KLEINWORT BENSON SECURITIES as a director with responsibility for business in mining and South African industrial stocks. He has spent the last year as chairman and chief executive of Geevor.

■ Mr David Dumeresque has joined TYZACK & PARTNERS in London. He was a corporate finance director at Citicorp Scrimgeour Vickers, having previously been at County Bank. Mr David Calderwood has joined Tyzack's technology practice group.

■ D.C. COOK HOLDINGS, the motor retail to property group, has appointed Mr Charles Pettingell as managing director. He was group finance director.

Mr Chris Cave, Mr Malcolm Proctor and Mr Barrie Singleton have been made main board members.

Mr Cave becomes group finance director, moving from the posts of company secretary and finance director of Action 2000, the group's UK property arm. He joined D.C. Cook in 1987 from British Syphon Industries, where he was finance director.

Mr Proctor is managing director of Action 2000 and Norfolk Espana, the recently acquired petrol filling station developer in Spain. Mr Singleton is managing director of the motor division.

Mr Andrew Ball has been named non-executive chairman of Norfolk Espana.

■ DEWHIRST GROUP, manufacturer of clothing and toiletry products, has appointed Mr David Witt (*pictured*) as managing director of its clothing division. Mr Witt was formerly with Coats Viyella/Tootal as head of the fashion products division.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories‡	30⅞	+⅛	$1.00	–	1.9
385p	257p	♥Allegheny & W 1c	267p	+9	30c	–	6.6
10⅛	667p	Amdahl 5c	799p	–18	10c	–	0.7
42⅛	25¾	Amer. Cyanamid $5	36⅞	+¼	$1.50	–	2.4
17⅜	9½	Amer. Express 60c	14⅝	.....	93c	–	3.7
24⅛	15¼	American T. & T $1	21⅛	+⅛	$1.32	–	3.6
38⅞	32⅛	Ameritech $1	35⅛	–¼	$3.40	–	5.7
26	12⅛	BankAmerica $1⅞	23⅛	+⅛	$1.20	–	3.1
35⅛	20⅛	Bankers N.Y. $1	33⅛	+⅛	$1.52	–	8.7
30½	24¼	Bell Atlantic $1	27⅛	+⅛	$2.52	–	5.4
31¼	25	BellSouth Corp	28½	..	$2.76	–	5.7
11¼	6⅜	♥Bethlehem Steel $8	9⅛	–⅛	40c	–	2.4
1839p	1046p	Bowater Inc.	1447p	–8	$1.20	–	4.9
54⅛	37⅛	CPC Intnl. 25c	58⅛	–⅛	$2.00	–	2.3
930p	420p	California Engy	825p	+5	–	–	–
50	28¼	Campbell Soup 15c	43	.....	$1.16	–	1.6
12¼	5⅛	Chase Manhattan $12½	10⅞	–⅛	$1.20	–	6.6
9⅛	5½	Chrysler $6¼	6	–⅛	60c	–	5.9
10⅛	5⅞	Citicorp $1	8⅛	+⅛	$1.00	–	7.1
25	21⅛	Colgate-Palmolive $1	22⅞	–⅛	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	641p	–11	60c	–	5.5
21¼	13½	Dana Corp. $1	17⅛	+⅛	$1.60	–	5.3
1199p	203p	Data General	1130p	–16	–	–	–
22¼	12⅞	Dial Crop $1.5	20½	–⅛	$1.40	–	4.0
29⅛	20¼	Dun & Bradstreet $1	27½	+⅛	$2.16	–	4.7
40	24¼	Eaton Corpn. 50c	36⅝	+⅛	$2.20	–	–
8½	5½	Exblin Inc	7⅛	.....	70c	–	5.8
20⅛	14⅞	FPL Group 1c	18⅞	+⅛	$2.40	–	7.5
30⅛	17⅛	Fluor Corp 62½c	24	–⅛	32c	–	0.8
23¼	13¼	Ford Motor $1	17⅛	+⅛	$1.60	–	3.5
46⅛	28⅛	Gen. Elect. 63c	39⅛	–⅛	$2.04	–	3.0
566p	270p	♥General Host Corp $1	466p	.....	34c	–	4.3
45⅛	20⅞	Gillette $1	23½	.....	62c	–	1.6

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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LEISURE – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
178	123	Barr & W.A.T. 'A'.	172	–2	9.75	1.7	7.6	10.6
750	425	Boosey & Hawkes.	750	.....	16.4	2.7	2.9	15.0
58	24	Border T.V.	57	–½	2.1	♦	4.9	♦
85	9½	Brent Walker 10p	13¼	.....	5.0	–	–	–
26	2½	Do 6pc Cr Cm Rd Pf £1	3¼	.....	–	–	–	–
55	13	Buckingham Int'l. 10p	23	.....	‡2.1	1.8	‡	5.4
360	183	Campari Int. 20p	353	.....	†11.0	2.9	4.2	9.7
221	134	Capital Radio 2½p	228	.....	5.25	2.9	3.2	14.5
524	350	Carlton Comms 5p	514	+4	†14.1	2.4	3.7	14.4
82	61	Do. 6.5p Prf 5p	80	–1	6.5	–	10.8	–
253	168	♦Castle Comms. 5p	223	.....	8.5	1.7	5.1	14.9
935	480	Central ITV	933	.....	28.5	1.4	4.1	22.8
164	120	Chiltern Radio 10p	163	.....	†4.8	2.6	3.9	12.5
89	39	Chrysalis	76	.....	‡‡2.0	–	‡	–
69	27	Cityvision 5p	38½	–½	1.0	7.0	3.5	5.0
6	3	Classic TV Wrnts $0.20	4	.....	–	–	–	–
299	225	Eurocamp 5p	259	+3	R8.5	2.5	4.4	12.4
1405	908	Euro Disney Fr10	1403	.....	–	–	–	–
30	5	European Leis. 12½p	10½	.....	1.7	2.2	21.6	1.8
44	21½	Ex Lands 10p	35	+1	–	–	–	–
47	13	♦Expedier 20p	16	.....	1.0	2.7	8.3	4.4
580	405	Fairline Boats 10p	580	+30	21.0	4.1	4.8	6.7
282	188	First Leisure	278xd	.....	†5.05	2.6	2.4	19.2
253	195	♦GWR Group 20p	247	.....	‡6.0	3.2	‡	12.9
79	59	Grampian TVA 10p	74	.....	4.1	3.1	7.4	5.8
8	4	♦Greenwich Comms. 1p	4	.....	–	–	–	–
63	33	HTV Ord	47	.....	3.75	1.2	10.6	10.8
193	55	Hi-Tec Sports	187	+3	5.0	2.9	3.6	12.7
4¾	1½	Int'l Media Comms. 1p	2	.....	–	–	–	–
64	30	Intl. Resort Hldgs.	39	.....	‡a3.2	2.5	‡	3.3

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS – Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC – Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES – Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

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AUTHORISED UNIT TRUSTS

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	119.9	119.9	123 1	..	4 72

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings: 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	136.8	136 8	145.5	+0.5	4 08
Gilt & Fxd Int.	5	151.5	151.5	159 4	+0.9	7.94
Intl Growth	5¼	145.3	145.3	154 6	-0.2	0.46
North American	5¼	95.42	95.42	101.5	+0.1	0.34
Far East	5¼	115.5	115.5	122.9	-0.5	0.52
UK Smaller Cos	5¼	106 6	106.6	113 4	+0.3	2.80
Europaw	5¼	54.05	54.05	57 60	-0.15	1.14
Japanese Growth	5¼	36 41	36.41	39 01	-0.19	0.00
Managed P'folio	5¼	49 77	50 12	53.32	-0.08	1.55
High Income	5¼	151 1	152.0	162.6	+0.5	5.74
High Yielding Gilt	5¼	61.65	61.65	64 89	....	9.61
Cash	-	51.89	51.89	51 89	+0.01	9 03

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh				031-226 3271		
American ¶	5	297.7	297.7	318.1	+0.1	1.31
(Accum Units) ¶	5	348.3	348.3	372.1	+0.1	1.31
British	5	823.5	823.5	872.0	+2.6	5.49
(Accum Units)	5	1352.6	1352.6	1431.0	+4.3	5.49
European	5	332.1	332.1	353.7	-0.3	1.48
(Accum Units)	5	356.0	356.0	379.2	-0.2	1.48
Japan	5	114.0	114.0	121.1	—	–
(Accum Units)	5	114.9	114.9	122.0	—	–
New Pacific	5	166.6	166.6	177.1	-0.3	1.99
(Accum Units)	5	171.1	171.1	181.9	-0.2	1.99
PEP Sept 18	5	143.5	145.7	154.2	+1.0	3.43
Mngd Equity	5	125.9	125.8	133.1	+0.2	3.48
Mngd Equity Acc	5	133.4	133.4	141.2	+0.2	3.48
Mngd Cash	5	97.05	97.05	99.93	—	10.49
(Accum Units)	5	114.9	114.9	118.4	—	10.49
Mngd Fund Acc Aug 31	5	122.9	122.9	130.0	—	6.77
Majority Stkg	1	101.04	101.04	102.04	+0.02	10.39
Majority Stkg Acc	1	105.99	105.99	107.03	+0.02	10.39
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300			Dealing: 0277 261010			
International Sept 13	0	50.91	50.91	51.46	—	3.46
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham				0403 56295		
Equity	6	625.3	625.9	669.4	+2.3	3.06
North America	6	76.55	77.33	82.71	+0.41	1.08
Far East	6	88.66	89.59	95.82	+0.52	1.90
W'wide Bond	6	47.82	47.82	50.87	—	6.17
European	6	66.99	66.99	71.65	-0.28	1.22
Equity Income	6	72.91	73.28	78.37	+0.30	5.10
Portfolio	6	58.25	58.25	62.30	+0.19	2.04
Sun Life of Canada Unit Mgrs Ltd (1800)H						
Basing View, Basingstoke, Hants				0800 525725		
American Growth	6	25.55	25.55xd	27.39	+0.11	0.39
Managed Assets	6	104.91	105.52	112.86	+0.05	3.69
UK Income	6	33.68	34.15	36.53	-0.03	4.33
UK Growth	6	33.49	33.87	36.23	+0.05	3.02
Worldwide Growth	6	24.37	24.37	26.07	+0.02	0.82
Sun Life Trust Mngmt Ltd (1200)H						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Sep 5	513.59	517.39	—	2.97
Gross Sep 5	189.38	190.84	—	10.22
High Yield Sep 5	299.79	302.14	—	7.26
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	54.38	55.49	+0.14	3.63
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1188	1280	—	–
Mngd Pens (Acc)	71.2	75.9	—	–
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2580.0	+5.00	6.00
Inc Gth Prp Apr 16	£1325.0	1460.0	—	7.20
Lazard Investors Ltd ††				
Exempt Funds				
Small Co's Sept 19	£3819.7	3994.9	+77.70	4.07
European Sept 19	£545.7	561.5	+6.20	2.06
American Sept 19	£350.0	353.7	-2.60	2.30
Japan Sept 19	£505.1	511.4	+13.40	1.27
Pacific Sept 19	£138.0	141.4	-2.30	1.96
W Midlands Aug 30	£144.50	161.30	—	2.49
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Property Aug 31	199.20	203.20	—	7.39
Equity Aug 31	885.85	898.25	—	4.30
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Sept 17	103.86		-0.1	10.38
(Accum Units)	996.77		-0.5	10.38
NAACIF Sept 17	43.43		+0.1	9.05
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Sept 17	130.9	140.5	—	3.64
UK Small Co † Sept 17	537.2	579.9	—	3.47
Fixed Interest † Sept 17	111.0	116.7	—	8.55
US Small Co Sept 17	160.7	171.9	—	0.00

[illegible]

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MANAGEMENT SERVICES

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BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Political events support dollar

POLITICS replaced economics as the dominant factor on the foreign exchanges yesterday. This led to covering of short dollar positions after the currency had held above the DM1.6700 level.

A report that US warplanes have been put on alert for possible action against Iraq helped reverse the dollar's recent downward trend. It was said in Washington that forces from the US and its allies could be involved if Iraq fails to comply with United Nations resolutions to destroy nuclear, chemical and biological weapons.

A little later news that Mr Boris Yeltsin, president of the Russian republic, was suffering from a "minor heart problem" added to the demand for the dollar as trading became increasingly nervous.

Economic news had little impact, with US housing starts in August in line with expectations. Action by the Federal Reserve, adding liquidity to the New York banking system, came 30 minutes ahead of the usual time, but was said to be purely technical. Federal funds were trading at 5¾ per cent, compared with an assumed target level of 5¼ per cent, when the Fed added money through overnight system repurchase agreements.

At the London close the dollar had climbed to DM1.6815 from DM1.6705; to Y134.20 from Y133.80; to SFr1.4685 from SFr1.4585; and to FFr5.7275 from FFr5.6875. On Bank of England figures the dollar's index rose to 65.0 from 64.7.

Sterling was helped against the D-Mark by the dollar's rally and also gained support from a UK opinion poll putting the ruling Conservative's level with the opposition Labour Party. Recent polls giving the Conservative Party a lead have increased speculation about an early general election, but this was dampened yesterday removing some of the immediate political risk in holding the pound. Dealers pointed out however that this may only last until the next opinion poll and that the currency remains vulnerable to changing political sentiment.

The remark in a speech by Mr Robin Leigh-Pemberton, governor of the Bank of England, that he is confident "we are now coming out of recession" had no immediate impact.

Sterling fell 1.10 cents to $1.7315 against the firmer dollar, but rose to DM2.9125 from DM2.9100 and to FFr9.9175 from FFr9.9100. The pound was steady at SFr2.5425 but fell to Y232.25 from Y233.25. Its index lost 0.1 to 90.9.

Sterling moved up from second to third weakest member of the European exchange rate mechanism, while the D-Mark fell from third to fourth strongest and was replaced in third position by the Italian lira. There was no reaction to the comment by Mr Hans Tietmeyer, Bundesbank deputy president, that price rises in Germany are unacceptably high.

The French franc remained the weakest ERM currency, but at the Paris fixing the D-Mark fell to FFr3.4053 from FFr3.4075

£ IN NEW YORK

Sep 18	Latest	Previous Close
£ Spot	1.7292-1.7302	1.7420-1.7430
1 month	0.73-0.72pm	0.76-0.74pm
3 months	1.97-1.95pm	1.99-1.96pm
12 months	6.60-6.55pm	6.57-6.50pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.497	-3.84	5.24	67
Belgian Franc	42.4032	42.2188	-0.43	1.64	26
Italian Lira	1538.24	1532.58	-0.37	1.57	23
D-Mark	2.05586	2.04911	-0.33	1.53	27
Dutch Guilder	2.31643	2.30993	-0.28	1.48	19
Irish Punt	0.767417	0.766551	-0.11	1.31	10
Sterling	0.696904	0.702443	0.79	0.40	-16
Danish Krone	7.84195	7.91386	0.92	0.27	-37
French Franc	6.89509	6.97742	1.19	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Sep 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7195 - 1.7410	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.9610 - 1.9795	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.2750 - 3.2885	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	59.80 - 60.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	11.2305 - 11.2730	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.58-3.53cpm. 12 Month 6.60-6.50pm.

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Sep 18	£	$
Korea(Sth)	1273.90 - 1294.45	732.90 - 741.70
Kuwait	0.50000 - 0.50100	0.28885 - 0.28900
Luxembourg	60.05 - 60.15	34.65 - 34.75
Malaysia	4.7490 - 4.7570	2.7500 - 2.7520
Mexico	5265.40 - 5270.20	3048.00 - 3049.00
N.Zealand	2.9490 - 2.9525	1.7060 - 1.7080
Saudi Ar	6.4870 - 6.5635	3.7500 - 3.7510
Singapore	2.9200 - 2.9270	1.6920 - 1.6940
S.Af (Cm)	4.8795 - 4.8910	2.8255 - 2.8270
S.Af (Fn)	5.3515 - 5.4355	3.0960 - 3.1445
Taiwan	46.30 - 46.40	26.55 - 26.60
U.A.E.	6.3515 - 6.4285	3.6715 - 3.6735

* Selling rate.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Dutch Guilder	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9¼ - 9⅛	9⅜ - 9¼	9⅞ - 9⅛
Swiss Franc	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛	8⅛ - 8⅛	8⅛ - 8	7⅞ - 7¾
D-Mark	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9⅞ - 9⅛
French Franc	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9⅞ - 9⅞	9⅛ - 9⅛	9⅛ - 9⅛
Italian Lira	12 - 10	11½ - 10¾	11½ - 10¾	11⅛ - 10⅞	11⅝ - 11⅛	11⅞ - 11⅞
Belgian Franc	9¼ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅛	9⅜ - 9⅜	9⅛ - 9⅛
Yen	7⅛ - 7	7⅛ - 7	7⅛ - 7	6⅞ - 6⅞	6⅞ - 6⅞	6⅞ - 6⅞
Danish Krone	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9⅞	9⅞ - 9⅞
Asian $Sing	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	6⅛ - 6⅛	6⅛ - 6⅛

Long term Eurodollars: two years 6⅞-6⅞ per cent; three years 7-6⅞ per cent; four years 7⅜-7¼ per cent; five years 7⅝-7½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.732	2.913	232.3	9.918	2.543	3.280	2177.	1.970	60.10	1.424
$	0.577	1	1.682	134.1	5.726	1.468	1.894	1257	1.137	34.70	0.822
DM	0.343	0.595	1	79.75	3.405	0.873	1.126	747.3	0.676	20.63	0.489
YEN	4.305	7.456	12.54	1000.	42.69	10.95	14.12	9372	8.480	258.7	6.130
F Fr.	1.008	1.746	2.937	234.2	10.	2.564	3.307	2195	1.986	60.60	1.436
S Fr.	0.393	0.681	1.145	91.35	3.900	1	1.290	856.1	0.775	23.63	0.560
H Fl.	0.305	0.528	0.888	70.82	3.024	0.775	1	663.7	0.601	18.32	0.434
Lira	0.459	0.796	1.338	106.7	4.556	1.168	1.507	1000.	0.905	27.61	0.654
C$	0.508	0.879	1.479	117.9	5.035	1.291	1.665	1105	1	30.51	0.723
B Fr.	1.664	2.882	4.847	386.5	16.50	4.231	5.458	3622	3.278	100.	2.369
ECU	0.702	1.216	2.046	163.1	6.965	1.786	2.303	1529	1.383	42.21	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

ECU BOND (MATIF)

September	106.48	106.42	-0.04	106.50	106.42	8.99	2,632
December	106.50	106.42	-0.06	106.56	106.36	8.99	4,248

Estimated volume 2,780 Total Open Interest 7,036

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
104	-	-	-	0.12	0.41	-
105	-	-	-	0.25		-
106	1.19	1.66	-	0.53	-	1.22
107	0.65	1.15	-	0.96	-	-
Open Int.	99,919	30,844	2,075	78,426	32,185	7,700

Estimated volume 23,042 Total Open Interest 251,149

POUND - DOLLAR

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	10.5	Credit Lyonnais	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Cyprus Popular Bk	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Dunbar Bank PLC	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Duncan Lawrie	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Equatorial Bank plc	10.5	Provincial Bank PLC	14
Bank of Cyprus	10.5	Exeter Bank Limited	11	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	Financial & Gen. Bank	11	Royal Bk of Scotland	10.5
Bank of India	11	First National Bank Plc	14	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	● Robert Fleming & Co.	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	Robert Fraser & Ptnrs.	11	TSB	10.5
Barclays Bank	10.5	Girobank	10.5	Unibank plc	10.5
Benchmark Bank	11	● Guinness Mahon	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hambros Bank	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Hampshire Trust Plc	13.5	Western Trust	10.5
CL Bank Nederland	10.5	Heritable & Gen Inv Bnk	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	● Hill Samuel	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	C. Hoare & Co.	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Hongkong & Shanghai	10.5		
		● Leopold Joseph & Sons	10.5		
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

A slight firming

WHOLESALE INTEREST rates had a firmer tone in London yesterday, and short sterling futures fell a little, despite a slight improvement by the pound in the European exchange rate mechanism.

Three-month sterling interbank rose to 10¼-10⅛ from 10⅛-10⅛ per cent, while 12-month money was unchanged at 10⅛-10 per cent.

On Liffe December short sterling futures opened unchanged at 90.19 and traded in a range of 90.14 to 90.23 before closing at 90.15.

There was little change to the overall credit situation on the London money market, but the Bank of England did not appear to give enough help to take out the full underlying shortage. A day-to-day shortage of £500m was initially forecast, but this was revised to £600m at noon and to £650m in the afternoon. Total assistance of £493m was provided.

Before lunch the authorities bought £146m bank bills outright in band 1 at 10⅜ per cent. In the afternoon another £172m bills were purchased, by way of £170m bank bills in band 1 at 10⅜ per cent and £2m bank bills in band 2 at 10⅜ per cent. Late assistance of around £175m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £536m, with a rise in the note circulation absorbing £55m. These outweighed exchequer transactions adding £5m to liquidity and bank balances above target of £70m.

In Frankfurt call money was unchanged at 9.05 per cent despite the Bundesbank draining DM1.8bn at this week's securities repurchase agreement tender. The central bank accepted bids of DM29.6bn, against an expiring facility of DM31.4bn, by allocating DM21.2bn of 28-day funds mostly at 9.00 per cent and DM8.4bn of 64-day money mostly at 9.05 to 9.10 per cent.

Conditions remained fairly comfortable, with most seasonal tax payments not due until later this week, while funds may flow back into the market on Friday as around DM2bn of zero-coupon notes, issued by the former East Germany, are redeemed. East Germany issued almost DM7bn of these notes ahead of German unification.

In Brussels the Belgian National Bank left its seven-day advances rate at 9.00 per cent at a money market tender against government paper and commercial bills.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 18) 3 months US dollars		6 months US Dollars	
bid 5⅜	offer 5⅜	bid 5⅝	offer 5⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

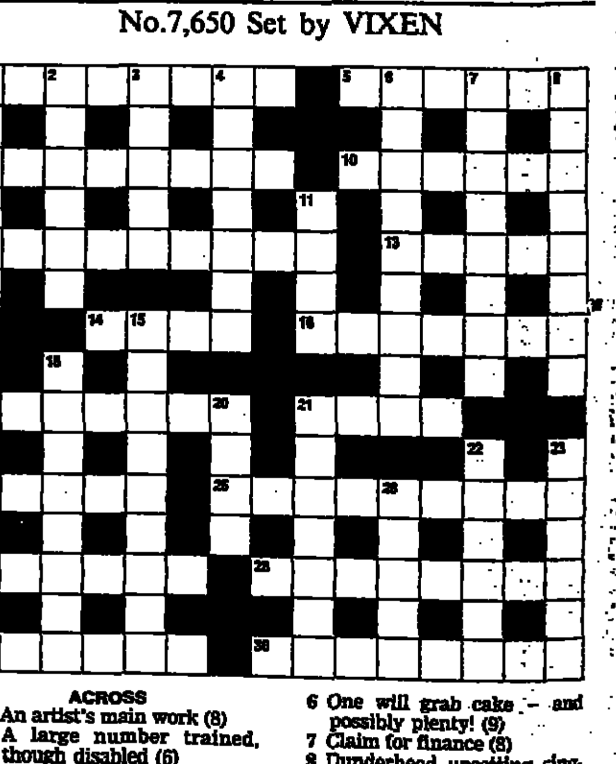
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,650 Set by VIXEN



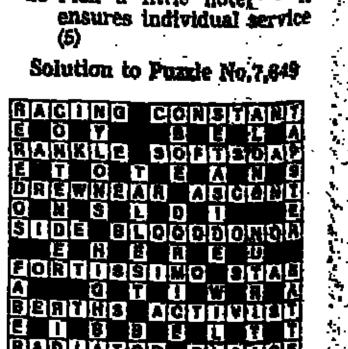
ACROSS

1 An artist's main work (8)
5 A large number trained, though disabled (6)
9 Articles turned in by an urban Greek (8)
10 Smoother and quietly superior obnoxious little beasts (6)
12 Endless repartee of dreadful bore (9)
13 Some of the well-heeled ate sparingly – only fruit (5)
14 A mere colouring-matter (4)
16 Writes in about love – gets payment periodically (7)
19 Flora stood up to call for retirement (7)
21 The president died where most people do (4)
24 A girl might be an object of devotion (5)
25 The person agitating for an investigator (9)
27 Constituents daren't appear keen (6)
28 Taking industrial action, so sure to get notice (8)
29 A land bird (6)
30 Housing for the fellows engaged in teaching (8)

DOWN

1 Rogues arranging a temporary settlement on board (6)
2 A woman will carry nothing right on to the beach (6)
3 Firm about a social worker's written work (5)
4 The bill is presented in a salver still (7)
6 One will grab cake – and possibly plenty! (9)
7 Claim for finance (8)
8 Dunderhead upsetting singers getting into costume (8)
11 Hold the fort (4)
15 Form of public transport that's not well used (9)
17 Expecting small change to ruling (8)
18 He's one to malign a member of an isolated community (8)
20 Drugs are for the fool! (4)
21 Making pleas to a preacher (7)
22 A good man surmounts general discord (6)
23 Clever though not very highly rated Tory (6)
26 Pick a little hotel – it ensures individual service (5)

Solution to Puzzle No.7,649



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices September 18

MONTREAL

3:00 pm prices September 18

INDICES

NEW YORK

DOW JONES	Sep 17	Sep 16	Sep 13	Sep 12	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3013.19	3015.21	2985.69	3007 83	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.57	96.55	96.34	96.43	96.57 (17/9)	91.30 (16/1)	96.57 (17/9/91)	54.99 (1/10/81)
Transport	1176.30	1181.06	1182.65	1183.89	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	207.62	208.12	206.50	207.12	220.89 (16/4)	195.17 (10/7)	236 23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3036.0 (3023.03) Low 2992.62 (2973.61)

STANDARD AND POOR'S	Sep 17	Sep 16	Sep 13	Sep 12	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	385.50	385.78	383.59	387.34	396.64 (28/8)	311.49 (9/1)	396 64 (28/8/91)	4.40 (1/6/32)
Industrials	457.08	457.35	454.66	459.40	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.15	31.13	31.10	31.40	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.54	211.65	210.58	212.42	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	366.28	366.87	367.34	366.22	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	515.17	515.68	516.71	521.13	526.39 (29/8)	355.75 (14/1)	526.39 (29/8/91)	54.87 (31/10/72)

	Sep 13	Sep 6	Aug 30	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.04	3.01	3.95

	Sep 11	Sep 4	Aug 28	year ago (approx.)
S & P Industrial div. yield	2.74	2.70	2.63	3.28
S & P Indl. P/E ratio	21.01	21.33	21.71	15 44

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Royal Dutch	5,754,400	81½	+ ⅛
Beazer	3,509,500	8¼	...
Pepsico	2,152,400	29¼	...
Amer Express	1,834,900	25½	...
Service Merch	1,825,900	10¼	- ⅛
Marion Merrell	1,801,900	28¾	- ½
AT & T	1,746,400	37⅛	...
Telefonos	1,600,100	37¼	- ¼
Limited	1,547,200	27	+ 1¼
Philip Morris	1,524,500	72¾	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 17	Sep 16	Sep 13
New York SE	168.310	171.960	167.800
Amex	15.506	10.995	17.059
NASDAQ	166.956	137.572	166.631
NYSE			
Issues Traded	2,101	2,116	2,088
Rises	724	908	662
Falls	855	709	894
Unchanged	522	499	532
New Highs	84	66	78
New Lows	25	21	16

CANADA

TORONTO	Sep 17	Sep 16	Sep 13	Sep 12	1991 HIGH	1991 LOW
Metals & Minerals	2934.88	2965.90	2956.75	2959.59	3299.99 (18/7)	2632.06 (9/1)
Composite	3417.96	3428.17	3421.14	3437.59	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1817.97	1823.59	1815.45	1823.98	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TAIWAN** Weighted Price (30/6/66)	4639.35	4532.25	4565.99	4544.47	6305.22 (9/5)
THAILAND Bangkok SET (30/4/75)	718.48	711.20	711.47	715.57	908.13 (19/4)
WORLD M.S. Capital Intl.(1/1/70) (§)	509.2*	512.3	509.9	508.9	529.2 (17/4)

*Saturday September 14: Taiwan Weighted Price: 4534.26 Korea Comp Ex. [illegible]

§ Subject to official recalculation.

Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000; JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 18 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	18.1m	1,300	+110	Toshiba	10.1m	714	+19
Shionogi	16.8m	1,320	+30	Nippon Steel	9.0m	427	-9
Toyo Tire	12.6m	825	+30	Kurabo Ind.	8.5m	1,110	+60
Clarion	10.7m	1,550	+100	Hitachi Zosen	8.4m	680	-9
Honshu Paper	10.5m	901	+100	Tobishima	7.1m	1,110	+50

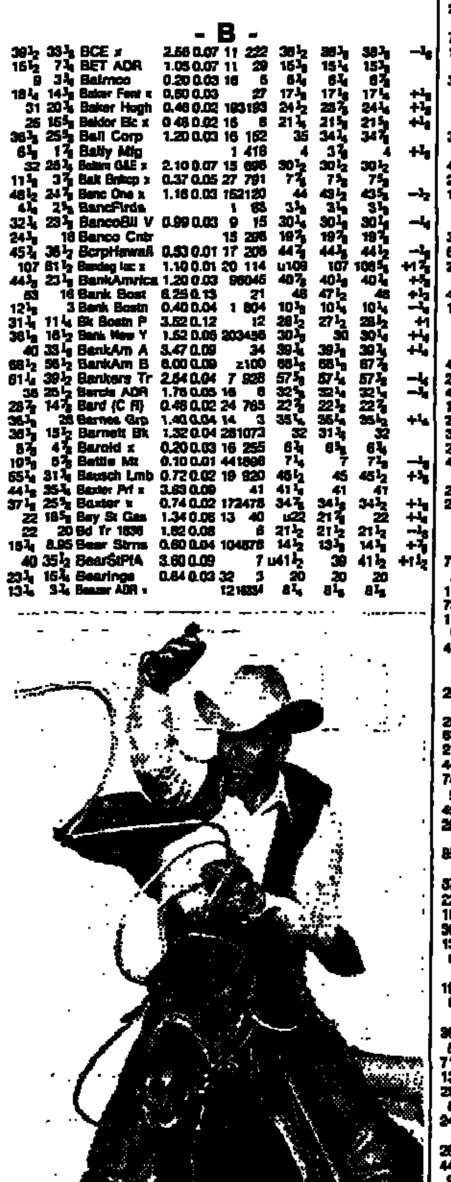
Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

3:15 pm prices September 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	9 1/4	AAR Corp	0.46	0.03	15	379	14 3/4	14 1/2	14 1/2	-1/8
18 3/4	14 1/2	A L Labs A	0.16	0.01	17	848	16	16	16	
65 1/4	40 3/4	AMP Inc	1.44	0.03	19	475	51 1/2	51	51 1/2	-1/4
69 5/8	44 1/4	AMR			11	1280	58 5/8	57 1/2	58 5/8	+1/2
2 7/8	1	ARX			1	6	1 1/8	1 1/8	1 1/8	-1/8
58	41 1/2	ASA	3.50	0.08	13	230	46 3/8	45 7/8	46 3/8	+1/2
56 1/4	39 1/4	Abbot Lab x	1.00	0.02	22	2839	53 5/8	53	53 1/4	-3/8
14 3/8	9 7/8	Abitibi Pr	0.50	0.04	24	129	13 1/2	13 3/8	13 3/8	-1/8
11 5/8	10 1/2	ACM Gvt In x	1.28	0.11		1090	11 3/4	11	11 1/8	
9 3/4	8 3/4	ACM GvOpp x	1.01	0.11		11	9 1/2	9 3/8	9 1/2	+1/8
9 1/4	8 1/4	ACM Gvt Sp	1.01	0.11		381	9 1/4	9	9 1/8	+1/8
11	9 7/8	ACM Gvt Se	1.25	0.12		174	10 5/8	10 1/2	10 5/8	+1/8
8 7/8	7 5/8	ACM Man x	1.01	0.12		283	8 1/2	8 1/2	8 1/2	
12 7/8	11 1/2	ACM Mangd x	1.35	0.11		346	12 3/8	12 1/4	12 1/4	-1/8
7 1/2	4 3/4	Acme Cleve	0.40	0.06	17	10	6 3/8	6 1/4	6 3/8	
6	3 3/8	Acme Elect			2	52	4 1/2	4 1/2	4 1/2	+1/8
40	22 7/8	Acuson			20	4420	30 3/8	29 3/4	30 3/8	+1
19 1/8	14 1/4	Adams Expr	0.73	0.04	0	23	18 3/4	18 5/8	18 3/4	
30 1/4	17 1/2	Adobe12Pf	2.40	0.12		28	19 1/8	19 1/8	19 1/8	+1/8
9 1/4	6 5/8	Adobe Res			67	640	9	7 7/8	8 7/8	+1 5/8
38 7/8	18	Ad Micro				59	33 1/2	33	33 1/4	-1/4
14 7/8	4 5/8	Ad Micro P	3.00	0.29	17	3501	10 5/8	10 1/4	10 5/8	+1/4
5 1/8	2 1/4	Advest Grp	0.16	0.05	4	104	3 1/8	3	3 1/8	
49 1/8	31 7/8	Aetna Lf	2.76	0.08		72777	34	33	34	+1/8
10 5/8	6 5/8	Ahll A	0.24	0.03	45	1586	8 1/4	8	8 1/4	+1/4
20 7/8	12	Ahmanson	0.88	0.05	10	783	17 3/4	17 1/4	17 5/8	+1/4
13 1/4	2 7/8	Aileen Inc			9	161	10	9 3/4	9 3/4	-1/8



Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60⅛	35¾	Xerox	3.00	0.05	10	511	57¾	56⅞	57⅝	+⅞
51½	43¼	Xerox4.125				18	51	51	51	
21½	14⅛	Xtra 1.94				2	21	21	20⅞	
24⅞	14¼	Xtra Corp	0.72	0.03	75	69	22⅞	22⅝	22¾	-⅛
24¼	21¾	Yankee Egy	1.60	0.07	11	22	24⅛	24	24⅛	+⅛
1½	⅝	Zapata			2	22	⅞	¾	¾	-⅛
9⅜	5½	ZenithElec			1	144	5⅝	5⅝	5⅝	
16½	12	Zenith Nat x	1.00	0.06	94	2	16⅝	16⅝	16⅝	
6¼	4½	Zenix Inc x	0.84	0.14		43	6	5⅞	6	-⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	539	15	14⅞	15	+¼
41⅞	29½	Zurn Ind x	0.88	0.02	14	38	35⅛	34⅞	35	+⅛
13½	10¼	Zweig Fund	1.12	0.09		179	12⅞	12¾	12⅞	+⅛
10¾	8½	Zweig Tot r	0.96	0.09		383	10⅛	10	10⅛	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices September 18

NASDAQ NATIONAL MARKET

3:00 pm prices September 18

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		36	358	29¼	28¾	28¾	-½
XL Data		34	88	11⅝	11¼	11½	
Xoma Corp		8	1413	16½	16¼	16¼	-¼
Yellow Fr	0.94	15	723	30⅛	29¼	29⅝	-⅜
York Rsch		62	1030	8⅛	7½	7½	-¼
ZionsUtah	1.44	9	42	48	46½	47	

FINANCIAL TIMES Thursday September 19 1991

AMERICA

Foreign shares prominent as US equities slumber

Wall Street

WALL STREET slumbered yesterday morning, as Yom Kippur kept some players out of the market, while others were deterred by the approach of this week's triple witching hour, when stock-index options and futures and options on individual stock expire, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 3.13 lower at 3,010.06 in thin volume. Although the more broadly based Standard & Poor's 500 was 0.29 higher at 385.79 at 1 pm, the tenor of the market was slightly negative. On the big board, declining issues led advances by seven to six. On Tuesday, the Dow closed down 2.02 at 3,013.19.

Beazer, which has dominated trading on the big board all week, was unchanged for a second day at $8¼. The UK building materials group has been exceptionally active since the company received a takeover bid from Hanson.

Shares in the Spanish telephone company, Telefónica, added $1¼ to $31⅝ after the company announced plans to link dividends to changes in net income.

Schlumberger tumbled $1¼ to $62½ in heavy trading after some analysts slashed earnings estimates for the company. Among other oil service companies, Dresser Industries held steady at $19⅝, Halliburton rose $¼ to $34½ and Baker Hughes slid $⅛ to $24.

Pier I Imports gained $¾ to $9½ after the retailer estimated second quarter earnings of 15 cents a share, against 7 cents the previous year.

Freddie Mac added $2 to $99¾ after Smith Barney Harris hiked its rating on the stock to buy from hold.

Sallie Mae slipped $1¼ to $62¾. The Bush administration has proposed reducing the subsidy paid to lenders at institutions, where defaults on student loans exceed 20 per cent.

The secondary market climbed out of its rut, with the Nasdaq composite firming 0.99 to 516.16. Intel, which has lost ground all week after bleak earnings projections, added $½ to $41⅝.

Other technology issues also firmed. Apple Computer gained $1¼ to $50¾ and Sun Microsystems rose $⅛ to $29¾.

Shares in Air Wisconsin eased $¼ to $8¼ on news that UAL, parent of United Airlines, had agreed to buy the carrier in a stock and cash offer. On the New York Stock Exchange, shares in UAL added $⅛ to $128.

Gloomy earnings projections from Marcam sent shares in the company, which markets IBM software, $2½ lower to $17¼. IBM was quoted $¾ higher at $105¼ in big board trading.

Canada

TORONTO was constrained by the Yom Kippur holiday, by investors waiting for today's US merchandise trade figures for July, and by the US moves in the Gulf.

The composite index lost 5.3 to 3,412.6, declines leading advances by 230 to 184 in volume of 11.3m shares.

Among active issues, Nova Corp eased C$⅛ to C$7⅝. Ocelot was flat at C$4.50, Loewen Group rose C$⅛ to C$15⅝, Alcan eased C$⅛ to C$22¾ and TIPs slipped C$⅛ to C$19.

Gold shares headed higher after Comex gold futures rose more than US$1.50 an ounce. Placer Dome gained C$⅛ to C$12⅛, Teck Corp class B added C$⅛ to C$19¾, American Barrick rose C$⅛ to C$24⅝ and Echo Bay firmed C$⅛ to C$9.

Portugal experiences a small revolution

But Lisbon's move to continuous trading has not raised spirits, writes **Patrick Blum**

IT WAS a small revolution: last Monday the Lisbon Stock Exchange adopted for the first time a system of continuous trading. Three stocks were selected to test the system, which will be extended to all shares, and in spite of two unscheduled power cuts and confusion generated by the coexistence of the old and new systems, the experiment was deemed a success.

The change did nothing, however, to raise spirits on the market, which has been in the doldrums for most of the year, with the exception of a brief rally after the Gulf war. Analysts continue to look anxiously for signs of a recovery.

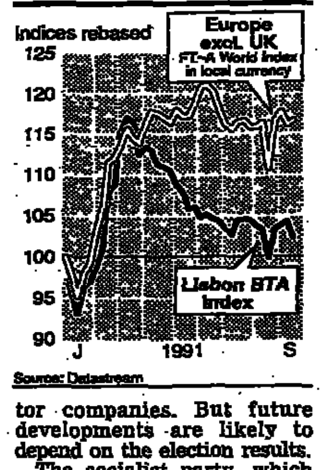
The year began badly, with the Gulf crisis helping to drive down the Banco Totta &Acores index to 1,986.6 on January 16 – its lowest point this year and way below its January 1990 peak of 3,281. In the war's aftermath the index picked up temporarily to reach 2,515.2 on March 18, but it has fallen gradually ever since, closing at 2,192.9 on Tuesday.

Analysts nevertheless say they detect a slight resurgence of interest from foreign investors, and they hope that a combination of domestic and international factors will breathe new life into the market and restore confidence.

On the domestic front, they say a victory for the ruling social democrats (PSD) in the general election next month should help to pave the way for a recovery in the last quarter. "A PSD victory will be seen as heralding another four years of stability, and we could see a rally in October," says a leading fund manager in Lisbon.

"Foreign investors will look at a positive result for the PSD very favourably," agrees an analyst with a London based international broker.

Analysts say that foreign investors, who account for a major proportion of turnover in shares on the Lisbon and Oporto exchanges, recently began to show renewed interest in Portuguese equities, especially in construction sector companies. But future developments are likely to depend on the election results.



Source: Datastream

The socialist party, which poses the biggest challenge to the government, hopes to deny the ruling party another absolute majority. Mr Anibal Cavaco Silva, the prime minister, has threatened to take his party into opposition if that happens. Such an outcome would open up a period of political uncertainty, although most observers believe that the PSD will win.

Analysts also believe that a Portuguese market recovery could be helped by ongoing reforms and international developments. "Europe has been seen in a more favourable light recently. Investors have made capital gains in other markets and they are looking to markets which have not recovered yet, so the timing is right," an analyst says.

The reform of the securities market embodied in new legislation, known as the Lei Sapateiro, was adopted last May and became effective in July, although its implementation is taking place step by step.

Ahead of the new law, an official daily index was launched earlier this year, and a new independent securities exchange commission, the Comissao do Mercado dos Valores Mobiliarios, has been set up to regulate and supervise the market, taking over responsibilities previously held by the Finance Ministry.

The Lisbon and Oporto exchanges are being linked by computer to form a single market with unified prices. The exchanges will be privatised, and new products such as options and futures will be introduced to broaden the market.

These and other operational reforms aim to liberalise and modernise the market, bringing it closer to European Community standards. Transaction procedures and the flow of information are set to improve, while rules on the provision of company information have been tightened sharply, and companies must now provide independently audited accounts.

All these changes will not have an immediate effect, but analysts hope that by making the market more efficient and transparent they will raise confidence in the Portuguese bourse and provide a psychological stimulus. "Investors like to see reforms, and this will help," says one analyst.

ASIA PACIFIC

Arbitrage and profit-taking end Nikkei's winning streak

Tokyo

SHARE PRICES ended a four-day rising sequence yesterday on arbitrage-related selling and profit-taking, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed down 125.83 at 23,317.78 after a day's high of 23,499.06 and a low of 23,258.57. Volume increased to 600m shares from 550m, boosted by active cross-trading by financial institutions ahead of the interim closing of books. Foreign investors were still active buyers, but some domestic institutions were taking profits.

Losses outnumbered gains by 560 to 453, with 153 issues unchanged. The Topix index of all first section stocks shed 7.56 to 1,800.15, but in London trading the ISE/Nikkei 50 index gained 3.38 to 1,366.60.

Arbitrageurs unwound their cash positions against futures as the September futures expired yesterday. Heavy index-related selling pushed the Nikkei index to the day's low during the afternoon.

Large-capital issues lost ground on profit-taking. The sector had been popular recently on expectations of a cut in the official discount rate. Mitsubishi Heavy Industries eased Y3 to Y746, while Nippon Steel fell Y9 to Y427 on reports that leading steel companies had decided to reduce steel output by 4 to 5 per cent for the current year.

Foreign investors continued to buy electricals, following their recent sell-off on projections of lower earnings. TDK gained Y160 to Y5,670 and Toshiba added Y19 at Y714.

Speculative issues rose in active trading. Clarion moved ahead Y100 to Y1,550, Honshu Paper added Y100 at Y901 and Nippon Carbon set an all-time high of Y2,230, up Y280. The Tokyo Stock Exchange, concerned over the speculative activity, announced that the minimum margin requirement for Nippon Carbon would be raised to 60 per cent of trading value from 50 per cent.

Shionogi, the drug company, closed Y30 ahead at Y1,320 after attaining a record high of Y1,370 in the morning on reports that it had developed a drug to prevent the spread of cancer tissue. Meiji Seika, another cancer drug-related stock, jumped Y110 to Y1,300 in heavy trading.

In Osaka, the OSE average rose for the fourth consecutive day, advancing 83.37 to 25,929.55. Volume more than doubled from 62m to 138m shares on cross-trading, as individual investors bought electric machinery shares and retailers.

Daishinpan, the consumer loan company, dropped Y21 to Y680. Investors were discouraged by reports that the company was expecting losses for the current year, owing to its involvement in the recent stock scandal centring on an Osaka-based restaurateur.

Roundup

THERE WERE pockets of optimism in the region yesterday, but senior markets were worried and weakening.

TAIWAN liked a news report that the Ministry of Finance has decided not to force trust companies to reduce their stock holdings before they are allowed to become commercial banks. The existing eight trust companies hold listed stocks worth an estimated T$27bn.

The weighted index advanced 107.10 or 2.4 per cent to 4,639.35 as turnover climbed from T$10bn to T$19bn.

BANGKOK saw rises in finance issues and small companies. After absorbing some profit-taking, the SET index gained ground to close 7.28 higher at 718.48 in turnover of Bt2.6bn. SEOUL's hopes for improved inter-Korean relations, given the admission of both South and North Korea to the United Nations on Tuesday, were muted by news that police had shot and killed a student during an anti-government demonstration. The composite index ended just 2.54 up at 685.49.

HONG KONG continued to worry that Jardine Matheson might delist, yesterday's rumour being that it could sell Hongkong Land, the colony's biggest and most prestigious commercial landlord.

The Hang Seng index fell 38.23 to 3,900.48 as turnover expanded from HK$888m to HK$927m. Hongkong Land gained 5 cents to HK$8.75 and Jardine Matheson put on 75 cents to HK$33 on a rise in profits and interim dividend.

SINGAPORE tired of waiting for inspiration and the Straits Times Industrial index declined 9.54 points to 1,385.34 as turnover rose from S$55m to S$69m. KUALA LUMPUR lost 1.3 per cent as the composite index closed 7.02 lower at 529.30 on index-linked selling.

AUSTRALIA drifted easier amid continuing concern about the strong Australian dollar. The All Ordinaries index shed 2.8 to 1,553.1 as turnover grew from A$171m to A$259m.

Australian Consolidated Minerals rose 8 cents to A$1.14 after the UK-based AFP Group accepted an offer for its 35 per cent stake in ACM, for which Normandy Poseidon and Western Mining have been bidding A$1.11 a share. The terms were improved yesterday to incorporate a 5-cent final dividend.

NEW ZEALAND was hit by a 9-cent fall to NZ$8.31 in Fletcher Challenge, which has lost 39 cents since September 9 on its exposure to the world newsprint market. Fletcher has a 20 per cent weighting in the NZSE 40-share index, which slipped 3.84 to 1,409.84.

MANILA closed mixed, with the composite index off 0.74 to 906.95. There were reports that the state-controlled Philippine National Bank wants to defer its planned stock offering because of perceived political and economic uncertainties.

JAKARTA weakened in active trading as foreign interest continued to wane. The index fell 9.72 or 3.5 per cent to 271.57 in 5.5m share volume.

EUROPE

Telefónica dominates trading in Madrid

MADRID WAS virtually a one-stock market yesterday as Telefónica accounted for about half of total market turnover.

On other bourses, the afternoon news of US military movements in the Persian Gulf and a Soviet news report, subsequently denied, that Russian President Boris Yeltsin was in hospital brought an attack of nerves to some bourses, *writes Our Markets Staff.*

MADRID was dominated by Telefónica, which leapt Pta65 or 6.2 per cent to Pta1,115 on huge volume of 5.88m shares.

The gain followed news from an analysts' meeting in Madrid that the telecommunications group is changing its dividend policy, raising hopes of higher dividends. The company also said profits this year would be better than forecast, and predicted a profits rise of an average 15 per cent a year to 1994. The group meets analysts in London today at the start of an international tour.

Telefónica shares have been strong in the US and Spain, rising 13.5 per cent in Madrid so far this month. One analyst warned, however, that they looked overpriced, and said a capital increase in the medium term was inevitable. She added that talk of a rerating of the stock was misleading, because this had already been achieved. The shares used to trade at a discount to the market of 20-30 per cent, but they were now trading in line.

The general index edged up 0.78 to 272.61 in turnover of Pta13bn, up from Pta10bn.

FRANKFURT extended its day to include active trading in the pre and post-bourse. It had a good beginning, with shares up by 0.3 per cent in the first 20 minutes of trade, but then sentiment deteriorated.

After a 1.44 fall to 675.144 in the FAZ at midsession, the DAX closed 6.48 or 0.4 per cent lower at 1,628.07, volume rising from DM4.1bn to DM4.5bn. But the big international blue chips lost another 0.5 to 1 per cent in the London post-bourse.

Mr Matthias Welticke, an institutional adviser at Merck Finck in Düsseldorf, noted that there was particular weakness in the automotive sector. BMW fell DM7.50 to DM502.50 in the official Frankfurt session, and another DM3 after hours. The fact that Volkswagen, a recent favourite, lost DM9.10 to DM363.10 during the session, and just DM2.60 more later, tended to put the scare arguments into perspective.

According to Mr Welticke, Frankfurt was disturbed late in the day by reports that IG Metall, the metalworkers' union, wants a 10½ per cent wage rise. This would affect mostly carmakers and steels, he said. Mannesmann more than doubled its losses in the aftermarket to end at an indicated DM268, down from DM273.80.

PARIS succumbed to profit-taking, bringing the series of 1991 highs to an end. The CAC 40 index closed 9.01 down at 1,869.41. Turnover was moderate at FFr2bn after Tuesday's FFr2.7bn, as the 1992 budget failed to stir the market.

CSEE, the electronics company suspended since September 2, jumped FFr10.90 or 6.5 per cent to FFr179.10 on speculation that the takeover offer from Quadral could face competition. Hutchison, the chemicals company, was suspended amid rumours that Total could buy out minority shareholders.

Casino added another FFr4.80 to FFr157.90 on the previous day's news of an asset sale, and on a suggestion by one broker that Casino could lease out its hypermarkets.

AMSTERDAM lost its earlier gains to close mostly lower on fears of instability in the Gulf. The CBS tendency index finished 0.4 down at 91.8 after peaking at 92.5. Higher oil prices lifted Royal Dutch by Fl 1.20 to Fl 154.30.

ZURICH closed at its day's lows on the Gulf news, the Crédit Suisse index falling 3.9 to 520.6. Nestlé topped the actives list as its bearers fell SFr120 to SFr8,200.

MILAN was lifted by a strong showing from Generali as its L1.7 trillion capital increase proceeded. The Comit index added 6.91 to 552.30 in turnover estimated at near Tuesday's L77bn.

Generali shares rose L800 or 3.1 per cent to L26,670 while the rights rose L300 or 8.6 per cent to L3,801.

Among industrials, Fiat added L63 or 1.2 per cent to L5,535. Bassetti, the textiles producer, rose L270 or 2.1 per cent to L13,370 after surprising the market with a 20 per cent rise in first half profits.

STOCKHOLM closed little changed as investors waited for the new government to be formed. The Affärsvärlden General index eased 1.0 to 1,081.2, and turnover to SKr282m from SKr359m. Astra continued to dominate, as the free Bs fell SKr4 to SKr556.

Stena Line, the shipping and ferry operator, saw its free Bs sink SKr9 to SKr48 after saying that it expected to make a pre-tax loss of SKr300m.

BRUSSELS was dragged lower again by Delhaize, the retailer, which accounted for about a third of the day's turnover. The Bel20 index fell 5.50 to 1,105.99, as Delhaize lost BFr70 to BFr7,500 on worries about potential claims from a union for damages at its US subsidiary, Food Lion.

FT-SE Eurotrack 100 - Sep 18

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1118.97	1118.57	1118.87	1117.91	1117.26	1114.72	1112.54	1111.91

Day's High 1119.25 Day's Low 1111.37

Sep 17	Sep 16	Sep 13	Sep 12	Sep 11
1115.57	1111.95	1116.74	1117.77	1111.14

Base value 1000 (26/10/90).

SOUTH AFRICA

GOLD SHARES were lifted by a firmer bullion price. The all-gold index rose 26 to 1,153. The overall index added 3 to 3,422, but the industrial index fell 27 to 4,190. Vaal Reefs jumped R6 to R203 while Barlow eased 50 to R50.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 17 1991								MONDAY SEPTEMBER 16 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	151.39	+0.1	128.81	128.04	131.48	125.77	−0.1	4.80	151.27	128.93	127.70	131.61	125.91	161.75	112.74	144.65
Austria (20)	183.69	+0.4	156.29	155.36	159.53	159.67	+0.1	1.77	182.96	155.93	154.45	159.18	159.45	222.37	154.82	207.59
Belgium (47)	130.74	−0.4	111.24	110.57	113.55	111.07	−0.7	5.33	131.22	111.84	110.77	114.16	111.80	151.20	118.04	137.67
Canada (114)	136.87	−0.3	116.45	115.75	118.86	112.63	−0.2	3.37	137.25	116.98	115.86	119.41	112.85	142.27	126.49	130.32
Denmark (37)	258.65	+0.3	220.07	218.76	224.64	227.34	+0.2	1.55	257.85	219.77	217.68	224.34	226.99	270.56	217.74	257.59
Finland (16)	94.67	−0.3	80.55	80.06	82.22	80.90	−1.0	2.98	94.93	80.91	80.14	82.59	81.75	125.15	89.53	115.12
France (109)	144.54	+0.3	122.98	122.24	125.52	128.96	+0.1	3.44	144.13	122.85	121.67	125.39	128.87	152.26	119.11	134.48
Germany (65)	112.10	+0.1	95.38	94.82	97.36	97.36	−0.1	2.31	112.03	95.48	94.59	97.47	97.47	125.35	94.15	116.91
Hong Kong (55)	163.91	−0.4	139.46	138.63	142.36	163.08	−0.4	4.34	164.54	140.24	138.91	143.17	163.67	169.98	119.62	122.66
Ireland (18)	164.73	+0.5	140.16	139.32	143.06	145.11	+0.3	3.45	163.99	139.77	138.44	142.67	144.69	182.46	132.88	150.21
Italy (77)	73.33	+0.9	62.39	62.01	63.68	68.44	+0.7	3.39	72.66	61.92	61.33	63.21	67.98	88.23	64.76	88.08
Japan (474)	133.39	+1.0	113.50	112.82	115.86	112.82	+1.2	0.75	132.07	112.56	111.49	114.92	111.49	146.97	118.23	125.81
Malaysia (68)	201.23	−0.4	171.22	170.19	174.76	213.17	−0.6	2.79	202.07	172.23	170.58	175.81	214.45	247.78	169.18	210.42
Mexico (16)	1222.76	+0.0	1040.37	1034.17	1061.95	4075.53	+0.0	1.31	1222.76	1042.16	1032.24	1063.86	4075.53	1226.36	534.45	512.72
Netherland (31)	142.22	+0.2	121.01	120.28	123.52	122.23	+0.1	4.41	141.87	120.92	119.77	123.44	122.06	145.73	125.70	137.22
New Zealand (14)	47.36	+0.4	40.29	40.06	41.13	42.79	+0.4	7.12	47.18	40.21	39.83	41.05	42.63	54.64	41.18	59.95
Norway (31)	201.12	−0.9	171.12	170.10	174.67	179.28	−0.9	1.57	202.94	172.97	171.32	176.57	180.90	223.24	178.58	275.04
Singapore (38)	196.46	+0.2	167.15	166.16	170.62	153.32	+0.0	2.32	195.97	167.03	165.44	170.50	153.34	208.25	151.63	161.66
South Africa (61)	250.14	+0.9	212.83	211.56	217.24	171.13	+0.5	3.22	248.00	211.37	209.35	215.76	170.20	258.85	173.00	166.48
Spain (53)	156.49	+0.4	133.15	132.36	135.91	124.19	+0.2	4.34	155.86	132.84	131.58	135.60	123.98	171.12	131.51	137.71
Sweden (25)	198.55	+0.3	168.93	167.93	172.44	179.37	+0.2	2.49	197.93	168.70	167.10	172.22	178.96	204.12	146.60	190.84
Switzerland (58)	95.46	+0.0	81.22	80.75	82.92	86.32	−0.2	2.23	95.45	81.35	80.58	83.06	86.52	100.67	82.17	94.06
United Kingdom (240)	182.04	−0.2	154.89	153.95	158.09	154.89	−0.4	4.78	182.43	155.49	154.00	158.71	155.49	187.44	156.27	158.24
USA (527)	156.42	+0.0	133.09	132.30	135.88	156.42	+0.0	3.10	156.41	133.31	132.04	136.09	156.41	161.02	125.95	126.44
Europe (827)	143.50	+0.0	122.10	121.37	124.64	123.91	−0.2	3.87	143.45	122.26	121.10	124.81	124.09	151.52	125.50	135.76
Nordic (109)	191.50	+0.1	162.94	161.97	166.32	164.11	+0.0	1.98	191.22	162.98	161.43	166.37	164.07	200.81	155.55	197.51
Pacific Basin (719)	134.39	+0.9	114.35	113.67	116.72	114.27	+1.1	1.09	133.20	113.53	112.45	115.89	113.07	145.92	117.86	126.26
Euro – Pacific (1546)	138.35	+0.5	117.71	117.00	120.15	118.88	+0.6	2.24	137.60	117.28	116.15	119.71	118.22	147.66	121.29	130.46
North America (641)	155.14	+0.0	132.00	131.23	134.76	153.46	+0.0	3.11	155.15	132.23	130.98	135.01	153.46	159.56	125.91	128.47
Europe Ex. UK (587)	120.61	+0.2	102.62	102.03	104.77	106.12	+0.0	3.17	120.33	102.56	101.60	104.72	106.08	129.80	103.56	121.32
Pacific Ex. Japan (245)	144.25	−0.1	122.74	122.02	125.30	128.60	−0.2	4.32	144.40	123.07	121.92	125.65	126.88	147.60	111.40	130.75
World Ex. US (1737)	140.13	+0.5	119.23	118.53	121.71	120.17	+0.5	2.29	139.41	118.82	117.70	121.30	119.54	148.16	122.32	131.04
World Ex. UK (2024)	141.02	+0.4	119.98	119.28	122.49	129.19	+0.4	2.32	140.46	119.71	118.58	122.22	128.85	145.77	120.08	126.26
World Ex. So. Af. (2203)	143.88	+0.3	122.42	121.70	124.97	131.27	+0.3	2.57	143.42	122.24	121.08	124.79	130.83	148.66	122.92	128.88
World Ex. Japan (1790)	151.88	+0.0	129.23	128.47	131.93	141.88	−0.1	3.44	151.85	129.42	128.20	132.14	141.96	152.83	126.69	132.10
The World Index (2264)	144.58	+0.3	123.01	122.29	125.57	131.61	+0.3	2.58	144.10	122.82	121.65	125.38	131.17	149.01	123.28	129.10

Latest prices were unavailable for this edition.